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THIS MONTH'S COVER: RICHMOND

Regularly laid out on a series of seven hills overlooking the James River, at the head of navigation, Richmond is Virginia's capital and largest city. It was founded in 1733 by Colonel William Byrd. . . . Just a hundred years later it had become the town of 16,000 shown in the print reproduced on the front cover: "Richmond from the Hill above the Waterworks," painted by G. Cooke and engraved by W. J. Bennett. In the cover view the large building with cupola at the extreme left is the State Penitentiary; the white building to the right with the dome is the City Hall; and the white-columned structure farther right is the State Capitol. The James River appears in the right center and just to the left is the Kanawha Canal. . . . After it became the capital of the Confederacy in 1861 Richmond was a major objective of Federal operations during the Civil War, and its fall four years later led directly to the surrender of General Lee, whose Richmond home is still standing. Other historic landmarks are the home of Chief Justice Marshall, the State Capitol, appearing on the front cover, and the church where Patrick Henry ended his famous speech with the words, "Give me liberty or give me death." . . . The present city, shown in the aerial view above, is the financial and commercial center of a sizable area of the South and ranks as the leading manufacturing center of Virginia.

GENDREAU

DUN'S REVIEW FOR JULY 1938

TABLE OF CONTENTS

Information about subscription rates is on page 49. . . . *Second cover photograph by Fairchild Aerial Surveys, Inc. Frontispiece by Charles Phelps Cushing.*

GALLOWAY

A MATURING COUNTRY MOVES TOWARD HOME BUILDING *on an* INVESTMENT BASIS

ROLLAND J. HAMILTON

President, American Radiator Company

Here a leader in the building industry points out the broad significance of recent developments and procedures for placing on a less speculative basis the building and ownership of homes, which represent, he estimates, one-quarter of the national wealth. This is one of a series of articles on subjects of importance to business men, presenting the often conflicting convictions of men of diverse backgrounds.

WHETHER you own your own home or occupy it as a tenant the chances are there is a mortgage on the property; and that this mortgage was placed on the building when it was erected. This has a direct bearing on your cost of living. The cost of your housing accommodation is based primarily on what it costs to maintain the premises you occupy. This cost consists of taxes and insurance, maintenance, depreciation, and mortgage interest. If there be no mortgage on the property then the item of investment value of the funds represented takes the place of mortgage interest.

Our country, residentially speaking, has been built on venturesome or speculative money. If built for owner occupancy the commonplace over several generations has been to place a mortgage on the property with little real expectation of repayment. If built for rental purposes the expectation of repayment was still less. This situation, although distinctly uneconomic, was the expression of a pioneer country wherein the larger portion of available funds was required for productive enterprise and a minimum was available for home building.

Being built in large degree on a speculative basis, the level of interest cost has been high. We are told by those most familiar with the situation that the average mortgage on a residential structure, when projected over a term of twenty to twenty-five years, has borne an interest rate equivalent at least to nine per cent. This includes direct interest, mortgage renewal fees, commissions, and other charges applicable to the mortgage. Whether or not this be accurate, the

fact remains that home ownership or rental involving a mortgage has been on a high interest rate basis. There is no one specifically to blame. It has been the law of supply and demand applicable to an enterprise having many essentially speculative characteristics.

The conditions which produced high interest rates made it certain that there would be loss factors. When one considers that until very recently the average building mortgage had a maximum term of five years and that substantially every such mortgage in the United States came due during the depression, we wonder that the casualties were not greater. In fact prudent investment in home mortgages made prior to the depression has suffered less in the past few years than like investment in a typical holding in common stocks and bonds. A recent magazine article—widely publicized—stated that 1,600,000 houses were lost by foreclosure between 1926 and 1936 and 1,000,000 more saved by HOLC. This was offered to prove the fallacy of home ownership. But the writer failed to mention that this total of 2,600,000 casualties was just about 10 per cent of the total number of single family dwellings in the United States. Do you know of any other class of investment that suffered so little? The homes of our people are basically a sound investment and where this has been otherwise in individual cases, it will usually be found that the financing was at fault rather than the security itself. Home ownership is not a general panacea and is not feasible for all of our population. It does, however, represent the desire of most families and the ideal of every civilization.

EXECUTIVE, LAWYER, ADVISOR

Born in Marissa, Ill., in 1879, Rolland Jerome Hamilton studied at the University of Kansas, Monmouth College, and the Chicago-Kent College of Law. He entered the employ of the American Radiator Company as a clerk in 1905. In 1921, when secretary of the company, he resigned to practice law. Six years later he returned and in 1930 became its president.

Mr. Hamilton has also been active in efforts to work out a satisfactory basis for co-operation between industry and government. In 1934 he was a member of both the Industrial Advisory Board and the advisory council of Federal Housing Administration. During the past three years he has served on the Business Advisory Council of the U. S. Department of Commerce.

In the older countries of Europe real estate mortgages are commonly considered second only to government securities as a sound investment. In these countries the savings of the people flow into mortgage companies and from these central reservoirs homes are soundly and safely financed. The interest rates are low and the whole enterprise considered to be on an investment basis.

There are significant reasons for believing that the trend in our own country is toward this eventuation. These reasons are not conclusive but it seems well worthwhile to examine and appraise the current situation.

In the greater portion of the country today, population-wise if not geographically, there is an abundance of money available to be loaned on mortgages guaranteed by the Federal Housing Administration, at an average rate of $4\frac{1}{2}$ per cent to 5 per cent. Applications for mortgage loans under this plan are showing large increases over the like periods of 1937. There is every indication that interest rates will trend lower rather than higher.

The FHA, however, has done far more than contribute to lower interest rates for home mortgages. It has instituted the long-term amortized mortgage without which the home building industry could not hope to evolve from a speculative to an investment basis. Under such mortgages, regular payments are made on the principal and the investment rating is improved because of the increasing security afforded by a declining debt. Under the old type of mortgage the owner seldom set aside depreciation charges and all too often the mortgage remained unpaid after the building became obsolete. Both debtor and creditor suffered.

The mortgage guarantee system under which the FHA operates involves a great insurance system whereby the applicant for mortgage pays a guaranty fee adequate on an actuarial basis to meet prospective losses. This fund has grown to about $21,000,000 and the losses so far have been insignificant. This particular activity was much needed and could not have been accomplished by private enterprise.

As a proper accompaniment to these financial mechanisms, the FHA has set up construction standards, subdivision supervision, personal credit ratings, and in numerous other ways operates to ensure the investment value of residential structures coming within its jurisdiction. These activities in our opinion, are a great contribution to our national economy, and economic history will probably accord to them an importance much beyond our current appraisal. This will certainly be true if the groundwork thus laid

forms a basis for the evolution of residential building from a speculative to an investment status.

Let us see for a moment what low mortgage interest means to a typical family. This family has an income of say \$2,000 per annum. It desires to build a home costing \$5,000 and there is \$500 in the savings bank with which to start. Had this project been carried out ten years ago with the resulting interest on first and second mortgages, plus taxes, insurance, maintenance, and depreciation, the load would have been crushing. Today on the same basis this family could borrow \$4,500 on a guaranteed mortgage amortized over a period of twenty years at an interest rate not in excess of 5 per cent. Without the burden of detailed calculation it will be found that the true cost of this home in terms of carrying charges is probably 20 to 30 per cent less than would have been the case ten years ago. This assumes like cost of building although construction costs in general are lower than they were ten years ago. In terms of carrying charges, it costs less to build a home today than at any recent time—certainly less than at any time since the World War.

The dwelling places of our approximately 32,000,000 families represent at least one-quarter of our national wealth. The development above outlined, whereby the cost (in terms of carrying charges) of owning or renting such dwelling places is largely reduced, is an economic factor of transcendant importance. The difficulty of appraisal with respect either to short or long term implications probably accounts for the slight comment so far evoked by this unusual situation.

Let us attempt a viewpoint as to some of these consequences. If mortgage money for home building is to continue to be available at investment rates, it is certain that such building must be freed from long standing speculative aspects. Our cities, towns, and villages must be better planned to ensure reasonable permanency of residential districts. The period of flush growth in population seems ended and there is no sufficient reason why a residential district rightly planned and zoned should be later subjected to the encroachment of commercial or factory development. Our next census will probably show the first downward turn in our national history in percentage of urban population. Motorized transport and the highways to carry it have turned the tide. Current building statistics show the accentuation of suburban growth. These new communities are for the most part being wisely planned.

The decline in per capita wealth and income in the past ten years has been startling and predictions have been freely made that our housing standards must be materially lowered. Cheaper building money should go far toward prevention of this unhappy result. It may well be that our homes and apartments will be smaller and less pretentious; but there need be no lowering in standards. Contrariwise, it will be found that modern small homes are more comfortable than their extravagant predecessors. The years have brought little in structural change; but home-comfort represented by modern refrigeration, sanitation, cooking appliances, domestic hot water, heating, and ventilating has grown apace. Napoleon boasted of a bath tub but of the rest he knew nothing.

We are not prepared to state that low interest rates for mortgages presage a building boom. There will be an equalizing process as existing mortgages are refunded at lower rates. The general level of interest rates—including those for mortgages—may increase. But we do believe that the economic forces now in play will profoundly and favorably affect residential building and that this great but long-depressed industry will be in the forefront of our next recovery movement. The presence of such a factor will go far toward begetting confidence in such forward movement and in insuring to it a sound and stable trend.

GALLOWAY

SECTION III

ESTIMATES *of* EXPENDITURES *for* IMPROVEMENTS *and* ENLARGEMENTS

[*A description of the scope and procedure of the survey together with sections on sales, inventories, receivables, and credit terms appeared in the May, 1938,* DUN'S REVIEW.]

THE future economic history of the United States will perhaps be smoother and less hazardous than the past if we can accumulate and act upon a more complete knowledge of capital expenditure—the why, the when, and the extent.

Business is prosperous as a whole only when capital goods[1] as well as consumer goods are selling. Our economy is geared to growth and the need for constant additions of new production equipment. When there is no market for such goods, payrolls wilt and all hands suffer. If, for example, such expenditures, which now occur primarily during prosperity periods, could be spread over bad times as well, variations in business activity might be less extreme.

The importance of these points is demonstrated by such figures as are available about past experience. Business men spend money when they have confidence in the future. From 1920 to 1929, one-fifth of our national manpower and plant facilities was devoted to producing capital goods, largely machinery, equipment, and structures for business use.[2] When that confidence was lacking from 1929 to 1933, the production of capital goods declined so much more rapidly than consumer goods that it amounted to only about one-tenth of the national production in 1932 and 1933.[2] Such a change, while it does not sound large in percentage, is closely related to that species of unbalance and malnutrition in the national economy which we call depression. Unfortunately, no one knows whether lack of confidence is the father of depression or its child, or whether, with a fine disregard for biological law, it can be both.

The Survey of Business Trends has included an expedition into this relatively unexplored portion of the business landscape. All concerns in the DUN & BRADSTREET Reference Book

[1] In this article the term "Capital Goods" refers to the cost of real estate, buildings, improvements, fixtures, furniture, machinery, tools, and equipment bought by business concerns for use in conducting a business and with the hope of making a profit. It does not include supplies used up in the course of manufacturing or otherwise in operating a business, nor does it include consumers' durable goods, such as automobiles and dwellings.

The term "Fixed Assets" refers to the items on a balance sheet covering depreciated book value of real estate, buildings, leasehold improvements, fixtures, furniture, machinery, tools, and equipment. It does not include any intangible items sometimes considered by accountants as a part of fixed assets.

[2] From Simon Kuznets' "National Income and Capital Formation 1919 through 1935"—National Bureau of Economic Research, New York, 1937, page 46.

I. ESTIMATED EXPENDITURES FOR IMPROVEMENTS AND ENLARGEMENTS BY MANUFACTURERS, WHOLESALERS, AND RETAILERS

Cases Analyzed: Number / Sales ($000)		1936 Preferred Estimate: Amount Spent ($000)	1936 Preferred Estimate: % of Sales of All Reporting Concerns[1]	1936 Minimum Estimate: % of Sales of All Reporting Concerns[2]	1937 Preferred Estimate: Amount Spent ($000)	1937 Preferred Estimate: Increase or Decrease (−) % of 1936 Expenditures
	Manufacturing: Total	1,490,473	2.6	2.3	1,811,951	22
2,938	Improvement	599,307	1.0	1.0	805,000	34
$782,386	Enlargement	891,166	1.6	1.3	1,006,951	13
	Wholesaling: Total	140,293	.5	.4	150,673	7
1,327	Improvement	68,458	.2	.2	53,484	—22
$375,554	Enlargement	71,835	.3	.2	97,189	35
	Retailing: Total	454,895	.9	.7	643,306	41
11,277	Improvement	309,929	.6	.5	406,405	31
$705,956	Enlargement	144,966	.3	.2	236,901	63
	Grand Total	2,085,661	4.0	3.4	2,605,930	25
15,542	Total Improvement	977,694	1.8	1.7	1,264,889	29
$1,863,896	Total Enlargement	1,107,967	2.2	1.7	1,341,041	21

[1] These percentages, used to compute the estimates in the preceding column were derived by using as a base the sales of all concerns answering the question, even though expenditures were zero.

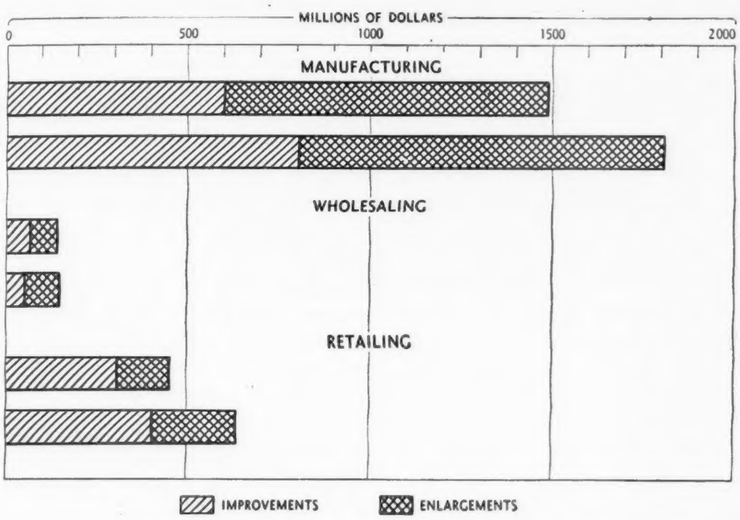
[2] The minimum estimate assumes no expenditures were made by chain organizations nor by industries and trades not specifically covered in Tables II, III, and IV; further assumes all reporting concerns who failed to answer this question had spent nothing.

were asked what they spent during 1936 and 1937 for improvement and enlargement of plant and equipment.

The question specifically excluded "routine maintenance" from the category of improvements and "replacement" from the amount spent for enlarging facilities. These repairs and replacements involve the purchase of capital goods, which past estimates have indicated to be half again as large a volume as the capital goods sold for improvement and enlargement purposes.

However, it is reasonable to assume that expenditures to replace wear and tear are notably less subject to fluctuation than spending for expansion, so that a study of the latter is perhaps nearer the heart of the "durable goods problem."

Estimated Expenditures for Improvements and Enlargements by Manufacturers, Wholesalers, and Retailers



From 25,000 who answered this question, a random sample of 15,000 has been tabulated. On the basis of their rates of expenditure, it is estimated that manufacturers, wholesalers, and retailers combined spent a total of more than $2 billion for improvements and enlargements in 1936, increasing that amount to $2.6 billion in 1937.[1] This increase of about 25 per cent in expenditures for fixed assets was more than double the 12 per cent increase of aggregate sales volume in these three fields of business from 1936 to 1937. Furthermore, it was greater than the sales increase of 18 per cent from 1935 to 1936, a figure quoted because heavier bets are often laid on the next race by a bettor who has been a winner on a previous event.

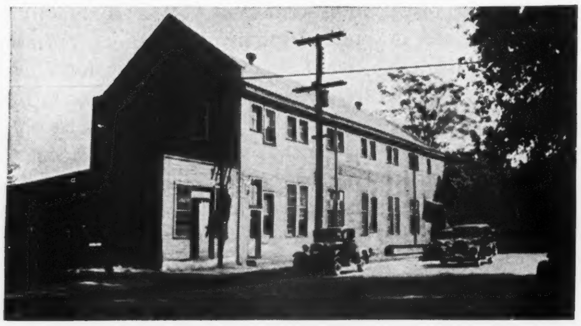
Timing

Do the results of this survey mean that capital expenditures in 1936 were too small for the opportunity or in 1937 too large to be wise? The exact answer cannot be known, but thinking in terms of the comparison only, the findings seem to support the frequently repeated comment of business observers that new plant facilities almost invariably come into production at or near the downturn of the business cycle when they are no longer needed. In the planning of increased facilities business seems to resemble the ferryboat passenger who hesitates a moment too long when the boat is about to pull out and not only misses the boat as he jumps, but in addition to his insult receives the injury of a thorough wetting. Hindsight suggests that the increased expenditures for expanded plant facilities in 1937 would have been a better investment if made earlier or later, since they represent increased capacity coming into use at a time when the need was falling off. Is it possible to set up for our business structure anything resembling the safety gate which causes a few more passengers to wait for the next ferry but prevents some of the dousings and drownings?

It is apparent that the problem of capital expenditure here discussed is primarily one centering among manufacturers. From the present Survey estimates, it appears that manufacturing expenditures represented 71 per cent of the total in 1936 and 69.5 per cent in 1937. Wholesaling expenditures were less than 7 per cent of the total in both years and the remainder was spent by retailers. This is not surprising, since the assets required in manufacturing in the form of machinery and equipment are so much greater than in either of the other fields. Of course, if the utilities had been included, the totals would have been much greater.

Another difference appears among the three branches of economic activity, and that is the relative importance of "improvements" and "enlargements." In manufacturing, enlargement was the more frequent form and larger volume of expenditure, both in 1936 and in 1937; and in retailing, improvement was much the more important. The balance shifted in the wholesaling field, from about equal

[1] These estimates seem more likely to be low than high. The outside extent to which they could be high is shown by the "minimum estimates" column in Table I, and its related footnotes. The sample of 2,900 manufacturers, analyzed here, represent sales of $782 million in 1936: a sizable sample in total, but not large enough to permit detailed estimates of expenditure in all industries (Table II, Footnote 2). For instance, additional steel rolling mill facilities were brought into production in 1937 which must have been built in 1936 and earlier. Likewise the heavy production of automobiles in 1936 could hardly have failed to entail substantial expenditures for equipment over and above usual replacement needs. Yet in our final estimates these two industries were assumed to be spending only at the average rate shown by other industries.



BEFORE

AFTER

Typical of the expenditures for improvements and enlargements was the modernization of its plant by the Zanesville Mould Company of Zanesville, Ohio. In the old 100 by 35-foot building, built in 1870 out of hewn timbers, the company had grown up. The change-over to the 100 by 70-foot steel and brick structure was carried out without interruption of production.

volume spent for each purpose in 1936 to a predominance of enlargement expenditure in 1937. Again these relate directly to the character of operation. In retail trade, enlargement is difficult because of space limitations, and frequently involves a major reconstruction job. However, significant capital expenditures may take the form of modernizing the store front, of widening the aisles, or of installing air conditioning. In manufacturing, improvement is likewise important, exceeding retail expenditures of both kinds, but expenditures under the head of enlargement were even greater, a response to the open spaces of technology and real estate within the view and grasp of many manufacturing enterprises.

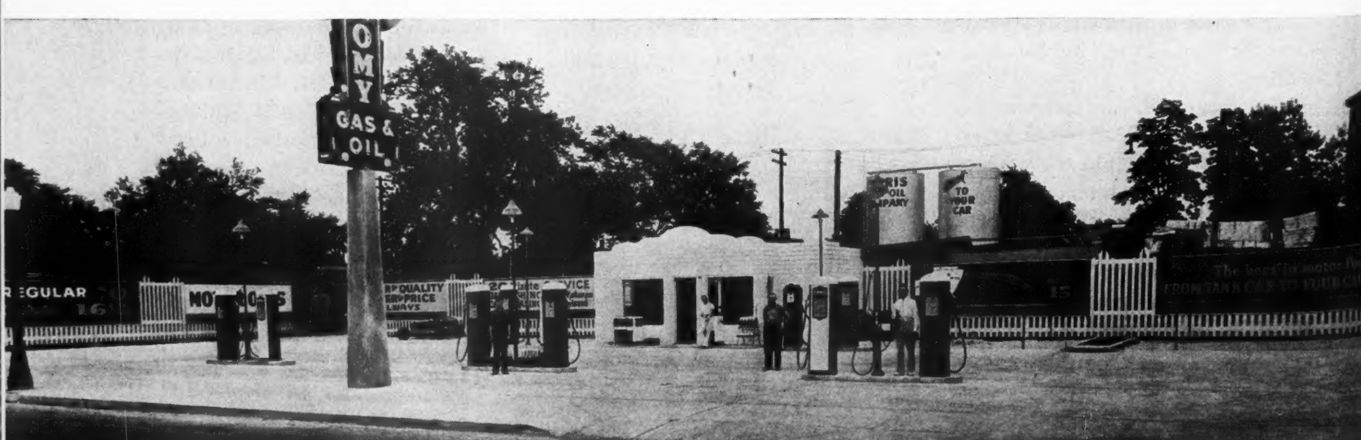
In comparing the two years, it is important to note that the greatest increase in 1937 over 1936 was on the part of retailers. However, because of the smaller amounts involved, this meant much less in dollars than the slower relative increase in the expenditures of manufacturers.

The reported expenditures for improvement and enlargement are not spread evenly among all concerns in a given industry, as will be shown in more detailed discussions. The percentages reported in this Survey are the relations between the expenditures and the total sales of all concerns reporting.

Actually, about half of the concerns did all the spending. Naturally, since improvements can be made in smaller "batches" than enlargements a larger proportion of the concerns reported such expenditures. A little more than half of the manufacturing and retail concerns spent something on improvements; a little less than half of the wholesalers. However, only 40 per cent of the manufacturers, 25 per cent of the wholesalers, and 20 per cent of the retailers expanded their plant facilities by construction or machinery purchases during the two years.

The fact that as many as 39 per cent of the manufacturers spent money for enlargement in 1936 or 1937 indicates either of two things—that capacity had so declined or deteriorated during the lean years as to necessitate additions to plant as soon as production approached the 1929 level again; or that there was sufficient optimism regarding the future during those months to bring about a widespread volume of expansion expenditure. Of course, since no normal figure is available, one cannot judge whether this was a "large" expenditure or not, but at least it can be said that it was not restricted to a few isolated enterprises.

This new gasoline station and bulk plant of the Norris Gas and Oil Company in Kokomo, Ind., was part of the 1937 expenditures discussed in this article. C. G. Norris, owner, reports that he bought five lots and wrecked a store building and a dwelling to build the "handiest and best driveway."



II. Manufacturers' Expenditures for Improvements and Enlargements

Manufacturing Industries	Estimated Improvement Expenditures — 1936 — Amount Spent ($000)	1936 — % of Sales of All Reporting Concerns	1937 — Amount Spent ($000)	1937 — Increase or Decrease (–) % of 1936 Expenditure	Zero Expenditures Either Year % of Concerns	Estimated Enlargement Expenditures — 1936 — Amount Spent ($000)	1936 — % of Sales of All Reporting Concerns	1937 — Amount Spent ($000)	1937 — Increase or Decrease (–) % of 1936 Expenditure	Zero Expenditures Either Year % of Concerns
Beverages—Non-Alcoholic	1,832	.8	2,601	42	27	2,977	1.3	7,112	139	45
Fruit and Vegetable Canning	10,413	1.3	11,038	6	27	6,408	.8	13,777	115	57
Flour and Feed Milling	2,622	.2	3,524	34	38	3,933	.3	4,200	7	64
All Other Food Manufacturing	13,527	.9	21,616	60	38	81,162	5.4	36,523	— 55	63
Ice, Manufactured	4,575	3.0	5,513	21	36	2,448	1.6	1,909	— 22	81
Woolen and Worsted Goods	9,600	1.2	10,262	7	32	7,200	.9	12,470	73	47
Men's and Boys' Clothing and Furnishings	3,621	.3	4,512	25	65	1,207	.1	1,657	37	80
Women's and Children's Clothing and Accessories	2,906	.2	4,513	55	69	5,812	.4	3,441	— 41	69
Other Textiles and Textile Products	4,440	.3	5,301	19	58	19,240	1.3	51,467	168	73
Lumber and Planing Mill Products	12,253	1.0	22,729	86	42	20,825	1.7	20,179	— 3	69
Furniture	5,202	.9	7,148	37	41	4,046	.7	5,935	47	64
All Other Forest Products (wood containers, handles, woodenware, etc.)	4,354	.7	7,067	62	46	2,488	.4	6,081	144	70
Paper and Paper Products (except boxes)	32,994	2.7	22,040	— 33	51	23,218	1.9	80,729	248	43
Photo-engraving	1,314	.6	1,480	13	62	10,293	4.7	3,304	— 68	49
Printing and Binding	9,256	1.3	11,681	26	59	17,088	2.4	18,130	6	50
Newspaper Publishing (mainly small concerns also selling printing)	13,140	.9	11,839	— 10	51	45,260	3.1	24,169	— 47	61
Chemicals and Chemical Products	17,094	.7	23,966	40	52	24,417	1.0	37,407	53	54
Paints, Varnishes and Lacquers	1,464	.3	1,432	— 2	42	2,440	.5	3,506	44	67
Stone and Stone Products	8,876	1.4	12,639	42	35	13,948	2.2	13,390	— 4	63
Clay and Glass Products	21,359	3.1	20,761	— 3	45	25,493	1.2	15,041	82	68
Foundries	3,568	1.0	6,455	81	32	4,998	1.4	8,502	70	56
Iron and Steel Products	12,776	.8	20,109	57	49	25,552	1.6	22,946	— 10	60
Hardware	9,789	1.3	13,215	35	43	8,283	1.1	11,207	35	59
Machine Shops	7,296	.6	15,920	118	51	10,944	.9	33,729	208	65
All Other Machinery	9,198	.7	15,609	70	50	17,082	1.3	26,272	54	59
Automotive Accessories and Parts	11,466	.6	13,989	22	43	21,021	1.1	29,640	41	48
Non-ferrous Metal Products (including lighting fixtures, brass pipe, etc., lead products)	9,020	1.1	12,475	38	47	7,380	.9	9,476	28	64
All Other Manufacturing	111,081	3.0	167,510	51	47	85,169	2.3	63,110	— 26	61
Total[1]	355,036	1.0	476,944	34	47	500,332	1.6	565,309	13	61
Allowance for Omitted Industries[2]	244,271	1.0	328,056	34	..	390,834	1.6	441,642	13	..
All Manufacturing[3]	599,307	1.0	805,000	34	..	891,166	1.6	1,006,951	13	..

[1] Total improvement and enlargement expenditures for trades with sufficient cases for a reliable estimate.
[2] Manufacturing: This allowance provides for the following industries in which there were lacking sufficient cases for reliable detailed industry estimates: baking, breweries, wineries and distilleries, confectionery, dairy products, meat packing, cotton textiles, silk and rayon goods, hosiery, boxes, paper, drugs, perfumes and cosmetics, petroleum refining, leather tanning, shoes, other leather products, iron and steel, electric appliances, tools and radios, agricultural implements, engines, turbines, tractors, water wheels, windmills, pumps and pumping equipment, automobiles, jewelry, silverware and jewelers' findings, tires (and other rubber goods), and tobacco products.
[3] Estimated national total improvement and enlargement expenditures based on estimated 1936 and 1937 sales, Table I, Dun's Review, May, 1938, page 9.

The Industry Viewpoint

Statistical photographs, such as those examined above, are maps of large areas of the business landscape and must be taken from so great an altitude as to conceal a vast detail of topography, architecture, and human interest readily noted by a pedestrian. In comparison with the wholesale and retail fields, manufacturers' capital expenditures may appear like a field seen at a distance as uniform lush green, but on close examination found to be peppered with yellow and blue flowers. The wide differences in experience between the several industries for which data are available may be of even more interest than the national totals.

Among manufacturing industries the largest outlay for improvement in relation to sales is recorded by the clay and glass product manufacturers. Miscellaneous food manufacturers had substantially the largest expenditures for enlargements in relation to sales. Likewise, the capital outlay for plant expansion among photo-engravers was much larger than average. At the other extreme, relatively low expenditures on capital account were reported by the flour and feed millers and by men's and boys' clothing and furnishings manufacturers.

Low and high ratios to sales appear to concentrate somewhat according to

III. Wholesalers' Expenditures for Improvements and Enlargements

Wholesale Trades	Estimated Improvement Expenditures — 1936 — Amount Spent ($000)	1936 — % of Sales of All Reporting Concerns	1937 — Amount Spent ($000)	1937 — Increase or Decrease (−) % of 1936 Expenditure	Zero Expenditures Either Year % of Concerns	Estimated Enlargement Expenditures — 1936 — Amount Spent ($000)	1936 — % of Sales of All Reporting Concerns	1937 — Amount Spent ($000)	1937 — Increase or Decrease (−) % of 1936 Expenditure	Zero Expenditures Either Year % of Concerns
Dairy Products	1,644	.2	2,106	28	38	8,215	1.0	4,025	— 51	72
Groceries and Meats	1,844	.1	1,853	1	62	1,844	.1	1,700	— 8	82
Meats and Fish	6,984	.8	1,215	— 83	50	873	.1	538	— 38	78
Other Food and Grocery Specialties	6,450	.5	8,121	26	56	3,870	.3	13,758	256	67
Produce and Fruits	7,444	.4	5,806	— 22	50	13,027	.7	7,556	— 42	77
Other Farm Products	8,860	.4	1,245	41	37	2,215	.1	7,356	232	79
Lumber, Millwork and Building Materials	1,091	.1	2,415	121	57	3,273	.3	4,474	37	77
Petroleum and Petroleum Products	2,200	.4	2,543	16	40	3,300	.6	3,161	— 4	52
Automotive Equipment	2,370	.5	2,263	— 5	56	1,896	.4	3,115	64	73
Plumbing and Heating Supplies	987	.3	991	0	60	987	.3	3,652	270	70
All Other Miscellaneous Supplies (including mining, oil-well, foundry, surgical)	494	.1	1,079	118	67	494	.1	1,435	190	82
Electrical Goods and Appliances	780	.1	2,608	234	55	1,560	.2	816	— 48	77
All Other Wholesale	12,822	.3	9,924	— 23	61	8,548	.2	16,198	— 90	75
Total[1]	53,970	.2	42,169	— 22	57	50,102	.3	67,784	35	76
Allowance for Omitted Trades[2]	14,488	.2	11,315	— 22	..	21,733	.3	29,405	35	..
All Wholesaling[3]	68,458	.2	53,484	— 22	..	71,835	.3	97,189	35	..

[1] Total improvement and enlargement expenditures for trades with sufficient cases for a reliable estimate.

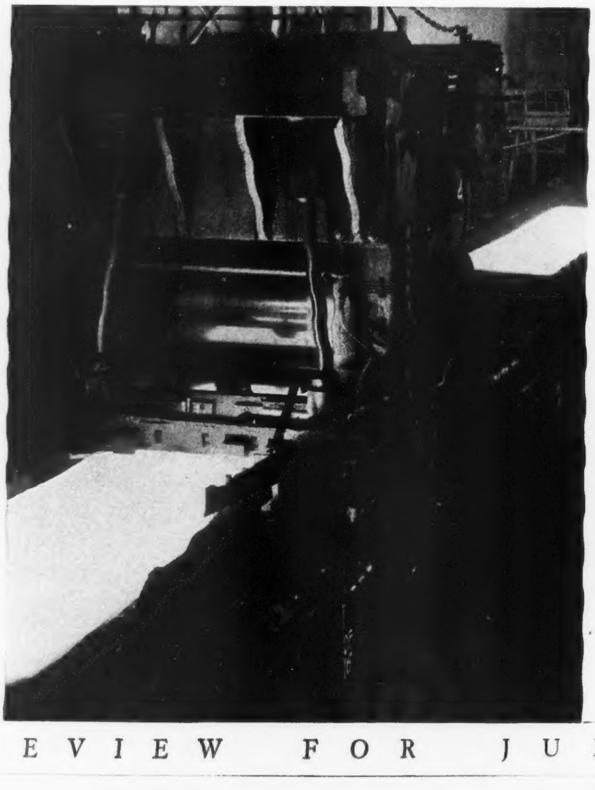
[2] Wholesaling: This allowance provides for the following trades in which there were lacking sufficient cases for reliable detailed trade estimates: drugs, confectionery, beverages—alcoholic, clothing and furnishings, dry goods (general line), hardware, paints and varnishes, coal and coke, automobiles and other motor vehicles, machinery and equipment, furniture and house furnishings, paper and paper products, and tobacco products (except leaf).

[3] Estimated national total improvement and enlargement expenditures based on estimated 1936 and 1937 sales, Table I, Dun's Review, May, 1938, page 9.

types of industry. Limited capital outlay is characteristic among the textile and clothing manufacturers, while concerns in the paper and printing and publishing fields appear to have made substantial investment in added capital facilities during the period studied.

Throughout the manufacturing record, low percentage expenditure is quite naturally associated with instances where a very small percentage of the reporting concerns spent anything on capital account.

In other words, it is rare that a few concerns spent so heavily as to develop a high percentage rate of expenditure in an industry where the majority of enterprises were following a cautious course. However, when the rate of increase of manufacturers' expenditures from 1936 to 1937 is compared, industry by industry, with the sales increases for the same period and for the previous year, it is apparent that in 19 out of 27 cases expenditures for improvements showed upward tendencies exceeding the rate of sales increases in both of the years under study. During the same period, enlargement expenditures in 16 of the 27 cases expanded faster than the percentage increase of sales. The outstanding industries in this respect were manufacturers of men's and boys' clothing and furnishings, other textiles and textile products, furniture, other forest products, chemicals and chemical products, foundry products, hardware, ma-



Construction of new continuous strip mills added to the steel industry's capital expenditures in 1936 and 1937. This is the Jones & Laughlin Steel Corporation's $25,000,000 huge 96-inch mill.

chine shop products, and all other machinery.

Wholesale Trades

Wholesalers, with whom plant and equipment are less important factors than salesmanship and merchandise management, spent a substantially smaller percentage of sales on improvements and enlargements than either manufacturers or retailers. The highest rate of expenditure, eight-tenths of 1 per cent for improvement, was recorded by a small sample of meat and fish wholesalers and the highest rate of expenditure for enlargements, 1 per cent of sales, occurred among the dairy products wholesalers. Almost all of the remaining trades recorded expenditures of one-half of 1 per cent or less under each of the two headings, and the combined expenditure for improvement and enlargement was almost invariably less than 1 per cent. This shows a marked contrast with the manufacturing field, where the majority of industries reported a combined expenditure on improvements and enlargements of more than 1 per cent.

Retail Trades

The difficulty of adding capacity or floor space to a retail store along a crowded trading street and the rather obvious truth that most stores can serve more customers than those who

IV. Retailers' Expenditures for Improvements and Enlargements

RETAIL TRADES	Estimated Improvement Expenditures: 1936 Amount Spent ($000)	1936 % of Sales of All Reporting Concerns	1937 Amount Spent ($000)	1937 Increase or Decrease (−) % of 1936 Expenditure	Zero Expenditures Either Year % of Concerns	Estimated Enlargement Expenditures: 1936 Amount Spent ($000)	1936 % of Sales of All Reporting Concerns	1937 Amount Spent ($000)	1937 Increase or Decrease (−) % of 1936 Expenditure	Zero Expenditures Either Year % of Concerns
Groceries	9,318	.6	15,282	64	49	3,106	.2	8,653	179	86
Groceries and Meats	20,258	.7	25,950	28	36	8,682	.3	13,987	61	75
Meats and Fish	6,584	1.0	11,509	75	35	1,316	.2	5,102	288	88
Bakeries	910	1.3	2,220	144	38	705	1.0	1,132	61	73
Other Food Stores	32,238	1.8	35,075	9	31	21,492	1.2	32,453	51	68
Country General Stores	8,659	.7	11,664	35	43	2,474	.2	3,624	47	84
Farmers' Supply Stores	2,944	.4	3,759	28	41	2,208	.3	3,040	38	74
General Merchandise and Dry Goods Stores	3,606	.6	3,047	— 16	59	600	.1	1,676	179	94
Variety Stores	1,479	1.7	904	— 39	45	348	.4	344	— 1	84
Men's and Boys' Clothing and Furnishings	2,772	.4	4,319	56	61	208	.0+	645	210	91
Women's Clothing and Accessories	5,526	.6	8,974	62	56	921	.1	6,555	612	89
Family Clothing, including Children's Shops	2,514	.6	4,656	85	57	126	.0+	314	150	91
Shoes	2,858	1.0	3,087	21	49	286	.1	2,490	444	91
House Furnishings and Floor Coverings	561	.3	1,185	111	59	187	.1	458	145	75
Radios, Electric and Gas Household Appliances	2,336	.4	3,392	45	48	1,752	.3	7,816	346	73
Furniture	5,250	.6	4,541	— 14	54	1,750	.2	3,138	79	87
Lumber and Building Materials	7,861	.7	7,319	— 7	55	3,369	.3	5,165	53	76
Paint, Wallpaper and Glass	447	.3	578	29	52	298	.2	457	53	80
Hardware	2,304	.4	3,686	60	55	1,152	.2	3,171	175	87
Hardware and Farm Implements	564	.3	747	33	48	564	.3	901	60	85
Farm Implements	296	.2	644	118	55	296	.2	2,533	756	72
Motor Vehicle Dealers	10,084	.2	9,691	— 4	42	5,042	.1	8,692	72	68
Automobile Accessories	2,043	.9	2,768	36	44	1,362	.6	2,565	88	68
Filling Stations	16,209	.9	24,297	50	43	10,806	.6	24,476	127	64
Restaurants and Other Eating Places	47,331	2.7	60,726	28	26	26,295	1.5	23,403	— 11	73
Drinking Places, Taverns and Bars	29,750	3.5	38,943	31	18	850	.1	7,759	..[4]	78
Drugs and Cosmetics	8,312	.8	15,876	91	45	3,117	.3	3,323	7	85
Coal and Other Fuel	4,190	.5	5,728	37	51	3,352	.4	4,073	22	74
Nurseries and Florists	2,552	2.2	2,680	5	39	1,856	1.6	1,552	— 16	65
Jewelry	2,673	.9	3,293	23	57	594	.2	1,335	125	87
Stationery, Books, Newsdealers	876	.6	994	14	49	292	.2	180	— 39	84
Other Retail Stores	7,952	.7	11,952	50	54	10,224	.9	7,954	— 22	75
Total[1]	251,257	.6	329,486	31	47	115,630	.3	188,966	63	80
Allowance for Chains and Omitted Trades[2]	58,672	.6	76,919	31	..	29,336	.3	47,935	63	..
All Retailing[3]	309,929	.6	406,405	31	..	144,966	.3	236,901	63	..

[1] Total improvement and enlargement expenditures for trades with sufficient cases for a reliable estimate.
[2] Retailing: This allowance provides for the chain-store business of the following trades: groceries, groceries and meats, variety stores, shoe stores, automobile accessories, restaurants and other eating places and drugs. It also includes department stores and mail-order houses in which there were lacking sufficient cases for individual estimates.
[3] Estimated national total improvement and enlargement expenditures based on estimated 1936 and 1937 sales, Table I, Dun's Review, May, 1938, page 9.
[4] Insufficient sample.

turn up are reflected in the Survey's figures. Only 20 per cent of the retailers report expenditures for enlargement during 1936 or 1937 whereas over 50 per cent made improvements. Their aggregate improvement expenditure was about twice as great as the amount for enlargement. This is in marked contrast to the manufacturing field where enlargement was the purpose of the major expenditure.

Continued growth among drinking places, taverns, and bars was reflected by an expenditure of 3.5 per cent of sales in 1936 for improvements, much the highest ratio in any retail trade; over 80 per cent of the reporting concerns had spent something. Although the record of grocery stores was about in line with average experience, specialized food stores were apparently both improving and expanding in a surprising number of instances.

Motor vehicle dealers spent a strikingly small proportion of sales, but this may be the result of the fact that sales volume in that trade is large in relation to size of physical establishment. A small outlay relative to sales volume might represent substantial improvement in appearance or efficiency of plant. Farm implement dealers after spending less than average proportion of sales on their improvements and enlargements in 1936 stepped up expenditures rapidly in the following year.

Although clothing stores reported among the lowest expenditures for enlargements in 1936, these were stepped up rapidly in 1937. In exact reverse, the florist shops and nurseries, which showed more than average expenditures in 1936, commonly reported only small increases, or actual decreases, in rate of expenditure in 1937.

Because of what was apparently a general policy of making long-delayed improvements when funds were available, three out of four retail trades reported that expenditures increased from 1936 to 1937 more rapidly than sales had expanded in the current or the previous year.

Relation to Fixed Assets

It seems desirable, where possible, to measure capital expenditures in terms of fixed assets already on hand rather than in terms of sales flowing by.[1] The ratios presented in Table V are the result of a strictly Moslem procedure whereby two sets of ratios from separate studies were married peremptorily without the possibility of judging how compatible they would be. The computation might lead to error in some cases, but it is believed that it shows approximately correct figures for the lines presented.

As percentages of these estimated fixed assets, expenditures for improvements and enlargements range from an average of 6.7 per cent in the ten industries computed down to 3.5 per cent in six retail trades. The equivalent percentages of sales range from 2.6 for manufacturing down to five-tenths of 1 per cent for wholesaling. It has been estimated that in the long run national wealth increases by 2 or 3 per cent per year. If business property and fixed assets are to keep up with the private Joneses as a relatively important fraction of the national wealth, it would seem that capital investment ought to increase in the same ratio as total wealth over the long run. Therefore, an addition of 7 per cent or more to value of manufacturers' plant and equipment and 3 to 4 per cent to wholesalers' and retailers' would not seem out of order after 5 years in which no net additions had been made.

(Continued on page 47)

[1] For the reporting concerns in each industry, the aggregate net worth was first estimated from their sales volume on the basis of average turnover, computed by R. A. Foulke in "Behind the Scenes of Business"—DUN & BRADSTREET, 1937, pp. 198, et seq. Fixed assets were in turn estimated from the net worth by the use of similar ratios. This estimated total of fixed assets was then compared with the known expenditures for additions and improvements.

V. Estimated Expenditures for Improvement and Enlargement in Relation to Fixed Assets—1936

Selected Industries and Trades

	1936 Expenditures for Improvements	1936 Expenditures for Enlargements
	Per Cent of Estimated Fixed Assets	
MANUFACTURING INDUSTRIES		
Fruit and Vegetable Canning	5.3	3.4
Furniture	4.1	3.2
Paper	6.2	4.4
Printing and Binding	6.0	10.6
Chemicals and Chemical Products	3.2	4.7
Paints, Varnishes and Lacquers	1.6	2.3
Foundries	1.8	2.5
Hardware and Tools	3.6	2.9
Machinery	1.5	2.6
Automobile Parts and Accessories	2.2	3.9
Total of 10 Industries	3.2	3.5
WHOLESALE TRADE		
Clothing and Furnishings	6.0	.3
Dry Goods	1.0	1.6
Lumber	.7	1.6
Hardware	.9	1.2
Drugs and Drug Sundries	3.1	.5
Automobile Parts and Accessories	8.2	6.0
Plumbing and Heating Supplies	2.4	2.4
Electrical Parts and Supplies	2.0	6.3
Paper	2.0	.6
Total of 9 Trades	2.1	2.3
RETAIL TRADE (Independent Stores Only)		
Department Stores	1.3	.1
Clothing, Men's and Boys'	4.3	.4
Women's Specialty Shops	6.3	.9
Shoes, Men's and Women's	8.6	.7
Furniture, Installment	5.0	1.9
Lumber	2.4	.8
Total of 6 Trades	2.7	.8

THE CONTROL *of* RETAIL PRICES UNDER *the* FAIR TRADE LAWS

REINHOLD WOLFF *and* DUNCAN HOLTHAUSEN

IN THE realm of retail price control, the manufacturer's position is similar to that of a constitutional monarch; he reigns but he does not govern. Fair Trade laws in 43 States and the Federal Miller-Tydings Act invest the producer of a standardized commodity with formal power of control over the prices of his product in the subsequent stages of distribution. The manufacturer, according to the laws, may set a minimum price at which his product is re-sold. He may establish maximum discounts for the wholesale distributor. The law goes even as far as to subject non-contract dealers to the price limitations imposed by him. Yet, in spite of these far-reaching legal prerogatives, the manufacturer has less actual authority over his pricing and merchandising policies than might be expected. At least part of his control over prices has been shifted to retail groups.

DRUG TOPICS

Such a scene as this, with Fair Trade supporters looking on happily, has had its counterpart in 42 other States. Here Governor Hurley signs the Massachusetts bill.

As a definite result of the persistent, two-year movement for "Fair Trade," the manufacturer of consumer goods in his dealings with wholesale and retail distributors has faced the organized attempt to force on him a price policy distinctly determined by the interests of these groups. The pressure from the retailers' side varies with different branches. In some industries retail associations exercise almost dictatorial power over retail margins and have become the determining factors in the shaping of the entire merchandising policy of producers. White lists circulated by retail groups are as effective in convincing recalcitrant producers that they should establish resale contracts as had been manufacturers' black lists in enforcing the adoption of their price policies by retailers. In other branches of business, manufacturers have succeeded in holding the driver's seat of the price vehicle. Between these two extremes there are broad groups of industries in which only careful manœuvering can save the manufacturer's ship from being wrecked on the rocks of antagonistic marketing forces.

Two groups of dealer organizations have been leading in the movement for retail price control—both fighting for special interests of the dealer units they represent, both using political as well as commercial weapons, and one frequently blocking the action of the other. The Fair Trade movement, which accounts for the enactment of the resale price maintenance laws, centers in the National Association of Retail Druggists and its local affiliations. It has received support from trade groups in the book, liquor, and tobacco fields. Associations of retail and wholesale dealers in electrical appliances, hardware, jewelry, automotive accessories, and stationery have been connected temporarily or permanently with their campaign.

In the other camp, it has been the

GENDREAU

The prices of fast-moving drug products generally have increased in metropolitan stores, but have shown a tendency to decline in areas where competition is less keen.

National Association of Retail Grocers which has led the drive for retail price control. With the support of other food-dealer trade associations this organization is responsible for the enactment of anti-loss leader provisions in the various unfair sales acts, anti-price discrimination acts, and similar State laws. Unlike the Fair Trade acts these laws do not designate a standard retail price, but provide for a "floor price," that is, a cost minimum plus a standard mark-up. Although up to the present their practical enforcement has been strong only in California, the vigorous campaigning of the "floor price" group may soon become an important element in the picture of retail price control. Two outstanding dealer units, food and dry goods, sponsor this retail price legislation. Possibly some of the retail associations which are now in the camp of the Fair Trade movement might be shifted to the other group if the minimum mark-up laws should prove workable.

The existence of conflicting trade groups and of partly conflicting price laws has evolved a puzzling merchandising situation for manufacturers whose outlets are diversified. Soap makers, for instance, sell to drug stores as well as to grocery stores. Druggist customers want resale price minimums under Fair Trade acts, and grocery customers prefer "floor prices." Confectionery manufacturers and tobacco producers are in a similar predicament. Manufacturers who sell through both department stores and smaller retail stores will almost inevitably evoke antagonism, whether they assume price supervision or not. If they do, the department store may complain and if they do not they risk the ill-will of the independents. The contrast between chains on the one hand and independently-owned retail stores on the other has likewise added to the complications of the manufacturer's policy. As the strongest single element in pricing, the pressure for resale price maintenance has caused manufacturers to adapt their price policies to the type of store where the product is principally sold. Thus food has been price-restricted when sold mainly through drug stores; similarly, photographic supplies. Confectionery manufacturers have established resale prices to satisfy their drug and tobacco outlets, and specialty producers have acted on prices to promote their sales among retail tobacconists. On the other hand, manufacturers of soap have faced difficulties in enforcing resale prices on their products because of the hostile attitude of grocery chain stores.

In no branch of retail trade has price maintenance coverage been complete. While advertised drugs, liquors, cigars, and books present instances of a very broad application of the price maintenance principle, going as far as 95 per cent in cigars, there are still numerous manufacturers of well-known standard articles in these fields who have refused to swim with the tide. Among these producers are a very small minority in the drug field whose items are not yet under minimum price control and appear currently as loss-leaders. Products such as Phillips' Milk of Magnesia, Barbasol Shaving Cream, and Dr. Lyon's Tooth Powder—all unrestricted—are featured at cut prices in merchandising and chain stores, whereas they are frequently boycotted by neighborhood druggists.

Fewer Leaders

In other lines of nationally-known products, the percentage of price-maintained articles is much smaller.[1] Some manufacturers have built up such an enormous consumer demand for their aggressively advertised brands that the retailer cannot switch customers to substitutes. This is the case in the tobacco industry with respect to the "Big Four" cigarette makers. Some distribute their products through diversified outlets beyond the control of retail associations, as for instance, the rubber tire manufacturers. In certain lines less than a dozen producers have pioneered in the new policy. Out of a multitude of determining elements some factors stand out in appearing to influence the manufacturer to take one or the other stand.

One such factor, of course, is the existence of strong pressure from the

[1] The survey of the use of Fair Trade contracts in various trades reported in the December, 1937, DUN'S REVIEW still holds true on the whole. There are relatively few additions to the list of manufacturers outside the drug, tobacco, book, and liquor fields who have integrated their price maintenance systems.

retailer groups, which sometimes affects the whole line of a manufacturer but in other cases concentrates on his outstanding advertised items. If the product is of a highly specialized nature, and therefore less sensitive to attacks from unprotected rival articles, it appears to be most suitable for price maintenance. Aggressively advertised and fast-moving specialties which command a high consumer reputation are favorite subjects of Fair Trade contracts. Manufacturers distributing through restricted outlets have on the whole maintained retail prices more successfully than those with diversified distribution. Distinct resistance to price maintenance appears where competition with other commodities of almost identical quality is keen. Brands which have been little advertised and therefore have been less subjected to loss-leader selling are less prone to price control. So are products which are susceptible to strong price fluctuations and to style and seasonal influences.

Experience which has piled up during more than a year of operation points to the fact that the Fair Trade acts set a pricing problem of their own for every individual manufacturer. Some manufacturers have effectively taken advantage of the acts to gain dealers' co-operation, where others have failed under similar circumstances. While some distributors of nationally well-known brands have been forced to change their entire merchandising policy, others have continued their marketing in the old channels with only slightly modified policies. One group of manufacturers has stuck to strictly enforced list prices, whereas another has lent flexibility to its price structure.

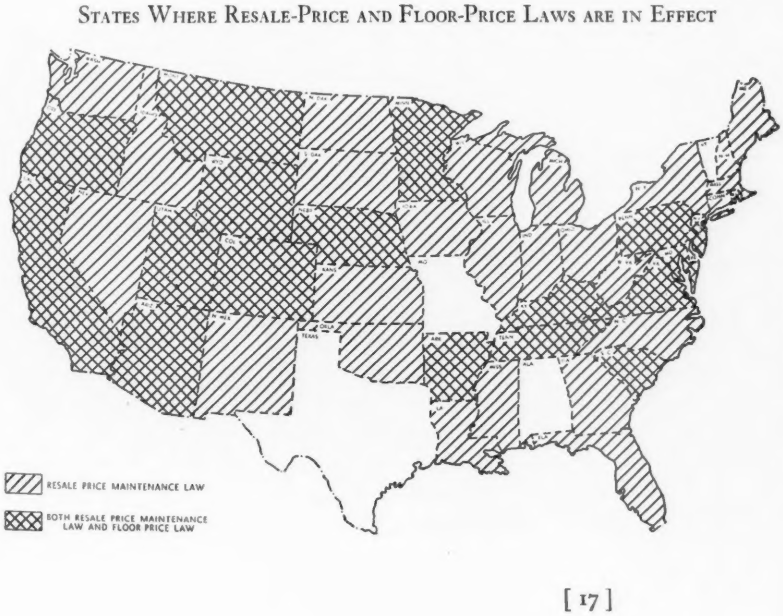
As a rule, those producers have fared best on the Fair Trade band wagon who had achieved fairly effective price control before the Fair Trade acts had gone into operation. Such price control without formal contracts had been accomplished through various devices, such as selected dealerships and *del credere* and agency systems, by manufacturers of a few products outstanding in quality and price, such as some expensive cosmetics, patent medicines, liquors, and electric appliances. Producers with previously controlled retail prices have found no difficulty in shifting their price policies to the new contract system, and a good many of them have even continued under the old system. A manufacturer of jewelry, for instance, has used the Fair Trade acts only temporarily in one State to suppress the use of his standard product as a loss leader by a single department store.


INTERNATIONAL

Co-author of the Miller-Tydings Act, senior Maryland Senator Millard E. Tydings has been a member of Congress since 1923.

There is another group of advertised items which had been fairly well price controlled before the acts. Among these items which had rarely been exposed to drastic price cuts were the less advertised and therefore slower moving national brands in drug stores. When resale price maintenance was introduced through formal contracts most manufacturers put the standard list prices of these items under formal price protection. Yet very few changes occurred with regard to their prices. For example, of 3,203 items under resale price contracts sold in the Pennsylvania Drug Company, a chain operating 12 stores in New York City, 2,657 items, or 83 per cent of the total, remained stationary in price, 9 per cent were lowered and only 8 per cent were raised in price.

STATES WHERE RESALE-PRICE AND FLOOR-PRICE LAWS ARE IN EFFECT



I. Price Spread Before and After Price Maintenance Contracts for 50 Products Sold in New York State Drug Stores

	Merchandising Drug Stores†		Neighborhood Drug Stores‡							
	5 in New York City		10 in New York City		10 in Cities with Population between 100,000 and 1,000,000		10 in Cities with Population between 10,000 and 100,000		5 in Cities with Population less than 10,000	
Product	Lowest and Highest Prices before Contract	Lowest and Highest Prices after Contract	Lowest and Highest Prices before Contract	Lowest and Highest Prices after Contract	Lowest and Highest Prices before Contract	Lowest and Highest Prices after Contract	Lowest and Highest Prices before Contract	Lowest and Highest Prices after Contract	Lowest and Highest Prices before Contract	Lowest and Highest Prices after Contract
	Cents	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
Gem Blades (single edge, 5's)	19 - 21	27	19 - 30	27 - 29*	26 - 33	27 - 33	24 - 39	27 - 39	29 - 35	29 - 35
Gillette Blades (10's)	31 - 34	47	39 - 49	47 - 49*	45 - 50	47 - 49	39 - 50	47 - 49	49	49
Ingram's Shaving Cream (tubes)	21 - 24	29	24 - 35	29 - 31	30 - 35	29 - 35	23 - 35	29	29 - 35	29 - 35
Ipana Tooth Paste (large)	28 - 31	39	27 - 39	39	29 - 45	39	29 - 45	39	39 - 50	39 - 50*
Forhan's Tooth Paste (large)	24 - 29	39	29 - 45	39 - 43	29 - 49	39	29 - 45	39	39 - 50	39 - 45
Pepsodent Tooth Paste (large)	27 - 29	33	29 - 39	33 - 39*	33 - 49	33 - 39	31 - 45	33 - 39	39 - 50	35 - 45
Squibb's Dental Cream (large)	23 - 26	33	25 - 39	33	25 - 43	33 - 39	29 - 40	33 - 35	35 - 50	33 - 45
Colgate Dental Cream (large)	24 - 29	33	25 - 37	33 - 35*	29 - 35	33 - 35	29 - 40	33 - 37	35	33 - 35
Tek Tooth Brush	23 - 29	43	34 - 49	43 - 47*	29 - 47	39 - 45	35 - 45	39 - 43	39 - 45	39 - 45
Dr. West's Tooth Brush (adult)	27 - 29	47	39 - 50	47 - 49*	45 - 50	47	39 - 50	47	45 - 50	47 - 50*
Pro-phy-lac-tic Tooth Brush (50c.)	27 - 29	43	33 - 49	43 - 47	29 - 49	43 - 47	39 - 50	43 - 45*	39 - 50	43 - 47
Listerine Antiseptic (14 oz.)	47 - 49	59	49 - 69	59	49 - 69	59 - 69*	49 - 69	59	65 - 75	59 - 69
Pepsodent Antiseptic (75c.)	49 - 57	59	51 - 75	59	59 - 69	59 - 69	59 - 69	59 - 69	67 - 75	59 - 69
Lavoris (medium)	29 - 37	39	34 - 50	39 - 45	29 - 50	39 - 50	39 - 45	39 - 45	45 - 50	39 - 45
Evening in Paris Talcum	43 - 55	55	55	55	55 - 60	55 - 60	49 - 55	55	55	55
Hind's Honey & Almond Cream (50c.)	29 - 37	41	35 - 49	41 - 49	39 - 49	41 - 49	39 - 50	41 - 45	43 - 50	41 - 45
Noxzema (medium)	29 - 34	39	29 - 59	39 - 49*	39 - 67	39 - 67	39 - 49	39 - 45	45 - 49	39 - 45
Vitalis (medium)	57 - 63	79	75 - 89	79 - 89*	67 - 95	79 - 95	74 - 89	79 - 89*	89-100	79 - 90
Mum (medium)	19 - 21	29	25 - 35	29 - 33	29 - 33	29 - 39	29 - 35	29 - 32*	29 - 40	29 - 37
Blue Jay Corn Plaster	14 - 19	23	15 - 25	23 - 25	21 - 25	23 - 25*	19 - 25	23 - 25*	25	23 - 25
Scholl Corn Plaster	21 - 23	31	27 - 35	31	31 - 35	31 - 35	29 - 35	31 - 35	35	31 - 35
J. & J. Band-Aid	14 - 19	19	19 - 25	19 - 25	23 - 25	19 - 25	23 - 25	19 - 25	25	19 - 25
Kotex (12's)	14 - 15	20	17 - 21	20 - 21	19 - 23	20 - 21*	17 - 23	20	20 - 25	20
Modess (12's)	14 - 15	19	16 - 21	19 - 21	19 - 23	19 - 21	17 - 23	19 - 20	19 - 25	19 - 22
Bayer's Aspirin (100's)	42 - 47	59	49 - 69	59 - 69*	59 - 65	59 - 65	45 - 69	59	59 - 75	59 - 71*
Squibb's Aspirin (100's)	24 - 39	39	29 - 45	39 - 45	39 - 49	39	39 - 45	39	39	39
Espotabs	12 - 17	19	17 - 25	19 - 23	23 - 25	19 - 25	19 - 25	19 - 25	21 - 25	19 - 25
Ex Lax (18's)	14 - 15	19	15 - 25	19 - 23	19 - 23	19 - 23	19 - 25	19 - 23	21 - 25	19 - 25
Feenamint (16's)	14 - 17	19	15 - 25	19 - 23	19 - 23	19 - 23	19 - 25	19 - 23	19 - 25	19 - 25
Drene Shampoo	33 - 41	49	45 - 60	49 - 59*	45 - 59	49 - 53	49 - 60	49 - 55	55 - 60	49 - 55
Eno (regular)	38 - 39	49	37 - 60	49 - 53*	49 - 59	49 - 59	47 - 60	49	55 - 60	49 - 59
Sal Hepatica (medium)	36 - 39	49	39 - 55	49	38 - 54	49	39 - 55	49	49 - 60	49 - 55
Pluto Water	23 - 29	39	29 - 45	39	35 - 47	39 - 45	37 - 45	39 - 44*	45 - 50	39 - 45
Mile's Alka-Seltzer (large)	38 - 49	49	45 - 55	49 - 50	49 - 55	49	49 - 59	49 - 50*	49 - 60	49 - 55
Nujol (8 oz.)	36 - 39	41	35 - 55	41 - 55	41 - 69	41 - 69	43 - 55	41 - 45	45 - 65	41 - 55*
Vapex	43 - 49	49	49 - 69	59 - 69	49 - 79	59 - 79	54 - 69	59 - 69*	65 - 75	59 - 69
Mistol (2 oz.)	34 - 39	49	49 - 65	59 - 64	59 - 67	59 - 67	49 - 65	59 - 60*	59 - 65	59
Vick's Vaporub (medium)	20 - 24	27	24 - 29	27 - 29	27 - 35	27 - 31	27 - 31	27	31 - 39	31
Rem (large)	59 - 69	69	67 - 89	79 - 89*	69 - 95	79 - 95	77 - 98	79 - 89	89-100	79-100
Pertussin (large)	89 - 99	98	98-119	98-119	119-139	98-119	109-139	98-109*	119-150	98-140
Kleenex (200)	9 - 13	13	10 - 15	13	13 - 17	13 - 15*	13 - 15	13	13 - 15	13 - 14*
Baum Bengue	43 - 49	49	49 - 69	59 - 69*	49 - 69	59 - 63*	49 - 69	59	65 - 75	59 - 69
Fasteeth (medium)	33 - 44	49	40 - 60	49 - 50*	39 - 55	49 - 55*	43 - 60	49	55 - 60	49 - 55
Glover's Mange Medicine	49	69	43 - 69	69	49 - 71	69	63 - 69	69	65 - 75	69
Larvex (pints)	59 - 79	79	69 - 89	79 - 89	59 - 89	79 - 89*	79-100	79 - 89*	79-100	79 - 90
Griffin Allwhite (large)	12 - 15	19	14 - 25	19 - 25	19 - 25	19 - 25	20 - 25	19 - 23	25 - 40	25 - 30
Unguentine (50c.)	31 - 34	43	34 - 49	43 - 47	39 - 49	43 - 49*	39 - 50	43	39 - 50	43 - 45
Sloan's Liniment (small)	21 - 24	29	24 - 35	29 - 33*	29 - 33	29 - 33	27 - 35	29 - 30*	33 - 35	29 - 35
Agarol (medium)	59 - 69	79	67 - 89	79 - 89	79 - 89	79	69-109	79 - 89	89	79 - 89
Lysol Disinfectant (medium)	33 - 39	43	36 - 50	43 - 50	39 - 49	43 - 48	39 - 49	43 - 45	45 - 50	43 - 49

* All but one store charged the minimum resale price.

† These figures were obtained with the help of the National Independent Pharmacists, Inc.

‡ The data from which these figures have been compiled were supplied by the New York State Pharmaceutical Association.

An entirely different situation existed with respect to the aggressively advertised standard brands. Particularly in the drug field these items have been consistently under the pressure of a sales policy featuring them as price leaders. In metropolitan areas cut-rate stores and, to a lesser degree, department stores and chains had "foot-balled" prominent drugs and cosmetics to the extent of bringing their retail prices entirely out of the control of manufacturers. The enormous deviation which existed in the price quotations of some of the leading brands as between various areas and as between the different types of stores in the same district is shown in Table I.* Differences of 30 per cent or even 50 per cent appear to be not unusual for the same brand in a small-town drug store and in a metropolitan cut-rate merchandising store.

From the viewpoint of the manufacturers the equalization of these enormous price differences presented a merchandising task of tremendous proportions. One must realize that the law does not allow minimum prices on a sliding scale—different minimums for different areas. A manufacturer who decides to bring his brands under the Fair Trade acts has to set a uniform minimum throughout the State, for the small town as well as the largest metropolitan center. There is obviously no possibility of satisfying all groups. There remains only the choice of the smaller evil.

What have manufacturers done to cope with this situation? At what quotations have they established minimum levels? How have the actual price quotations in different types of stores been affected by the law? Is it true that price maintenance has served to boost consumer prices, as opponents of the Fair Trade acts contend? Or has price maintenance through stabilization of dealer margins contributed to a measurable decrease in prices, as adherents to Fair Trade legislation have contended?

ACME

Co-author with Senator Tydings of the Federal Fair Trade act, John E. Miller, Senator from Arkansas, succeeded the late Joseph T. Robinson.

To answer these questions we have selected 50 prominent products from the most active Fair Trade retail group, the drug and cosmetic industry. The commodities chosen are of the fast-moving type. They have well-established trade names and are sold in almost every drug store throughout the Country. We have compared their price quotations before and after resale price contracts were put into operation. The stores whose prices were compared were all located in the State of New York, but were so chosen as to constitute representative units of various districts and various types of operation. They are grouped as follows:

1. Five large merchandising or cut-rate drug stores from New York City and Brooklyn.[2]
2. Ten independent neighborhood drug stores from New York City and Brooklyn—populations over 1,000,000.
3. Ten independent neighborhood drug stores from cities with populations of 100,000 to 1,000,000.
4. Ten independent neighborhood drug stores from cities (suburbs of New York City) with populations of 10,000 to 100,000.
5. Five independent neighborhood drug stores from cities with populations of 10,000 and under.

If we glance at the quotations before and after price maintenance we find that quotations have not been raised to list or standard prices. In other words, manufacturers of these representative best-sellers have not achieved a one-to-all retail price, but rather an elastic price with oscillations between the contract price as a minimum and the standard list price, some 25 to 50 per cent above, as a maximum.

Thus it appears that at present differences between stores with various locations and different kinds of operation continue to exist. Particularly it appears that the more an area is removed from the metropolitan storm center of price cutting, the larger is the margin received by the retailer above the minimum price. Yet our tables show a tendency for quotations to come closer together. This convergence is visibly demonstrated when we compare average pre-contractual and post-contractual highest and lowest selling prices. It is apparent that the spread between lowest and highest selling prices has been reduced. Deep price cuts have been eliminated and high prices have been abandoned. The convergence is greatest in the metropolitan areas. Here we find a distinct tendency for legal minimums to be-

* The co-author, Duncan Holthausen, is responsible for these tables. The data for the four classifications of neighborhood drug stores were compiled from questionnaires sent to independent retailers by the New York State Pharmaceutical Association. Not prepared at the time to tabulate the findings, the Association kindly permitted Mr. Holthausen to use their data. In addition to tabulating the returns he visited stores covered in the survey and checked their price quotations. Figures for the merchandising drug stores were collected and compiled by the same co-author with the help of the National Independent Pharmacists, Inc.

[2] A merchandising drug store is one handling a great variety of the usual drug store products, but relying upon a fast turnover of stock with large sales volume for profit, inasmuch as most goods are sold at a minimum of profit per unit. Appeal to the consumer is through the featuring of cut prices. The merchandising drug store is to be distinguished from the small cut-rate store which features only a few nationally-advertised articles at drastically reduced prices.

II. Prices Before and After Resale Price Maintenance Contracts for 50 Products Sold in New York State Drug Stores

Product	Minimum Resale Price	Merchandising Drug Stores* — 5 in New York City: Average Price before Contract	Average Price after Contract	Percentage Change	Neighborhood Drug Stores† — 10 in New York City: Average Price before Contract	Average Price after Contract	Percentage Change	10 in Cities with Population between 100,000 and 1,000,000: Average Price before Contract	Average Price after Contract	Percentage Change	10 in Cities with Population between 10,000 and 100,000: Average Price before Contract	Average Price after Contract	Percentage Change	5 in Cities with Population less than 10,000: Average Price before Contract	Average Price after Contract	Percentage Change
	Cents	Cents	Cents		Cents	Cents		Cents	Cents		Cents	Cents		Cents	Cents	
Gem Blades (single edge, 5's)	27	19.4	27.0	+39	25.7	27.2	+6	30.5	28.5	—7	29.9	28.8	—4	33.8	31.0	—8
Gillette Blades (10's)	47	31.8	47.0	+48	44.1	47.2	+7	48.5	47.8	—1	47.7	47.9	0	49.0	49.0	0
Ingram's Shaving Cream (tubes)	29	22.0	29.0	+32	29.7	29.4	—1	32.5	30.3	—7	30.8	29.0	—6	33.0	33.0	0
Ipana Tooth Paste (large)	39	29.0	39.0	+34	35.3	39.0	+10	39.4	39.0	—1	37.5	39.0	+4	43.6	39.4	—10
Forhan's Tooth Paste (large)	39	27.4	39.0	+42	36.1	39.7	+10	40.3	39.0	—3	38.6	39.0	+1	43.6	40.2	—8
Pepsodent Tooth Paste (large)	33	28.4	33.0	+16	35.4	33.6	—5	39.4	34.6	—12	37.1	34.4	—7	42.4	39.4	—7
Squibb's Dental Cream (large)	33	24.2	33.0	+36	32.7	33.0	+1	35.3	33.8	—4	34.7	33.4	—4	39.8	37.8	—5
Colgate Dental Cream (large)	33	25.6	33.0	+29	31.8	33.2	+4	33.6	33.2	—1	34.7	33.6	—3	35.0	33.8	—3
Tek Tooth Brush	43	26.4	43.0	+63	41.4	43.4	+5	42.4	42.4	0	41.2	41.8	+1	43.5	41.5	—5
Dr. West's Tooth Brush (adult)	47	28.2	47.0	+67	42.3	47.2	+12	47.6	47.0	—1	45.9	47.0	+2	48.4	47.6	—2
Pro-phy-lac-tic Tooth Brush (50c.)	43	27.8	43.0	+55	39.1	44.0	+13	43.4	43.8	+1	44.3	43.2	—2	45.2	45.0	0
Listerine Antiseptic (14 oz.)	59	47.6	59.0	+24	57.6	59.0	+2	62.2	60.0	—4	62.1	59.0	—5	70.6	63.4	—10
Pepsodent Antiseptic (75c.)	59	50.6	59.0	+17	64.5	59.0	—9	64.4	61.4	—5	65.8	61.0	—7	71.0	63.8	—10
Lavoris (medium)	39	33.0	39.0	+18	40.2	40.7	+1	44.7	43.6	—2	44.2	40.2	—9	47.0	43.8	—7
Evening in Paris Talcum	55	48.2	55.0	+14	55.0	55.0	0	55.8	55.8	0	52.7	55.0	+4	55.0	55.0	0
Hind's Honey & Almond Cream (50c.)	41	32.2	41.0	+27	42.3	43.2	+2	44.8	44.0	—2	45.3	42.6	—6	46.6	43.0	—8
Noxzema (medium)	39	32.0	39.0	+22	46.3	40.0	—14	47.3	45.0	—5	44.6	41.6	—7	45.8	42.2	—8
Vitalis (medium)	79	59.0	79.0	+34	82.4	80.0	—3	86.4	83.6	—3	85.5	80.0	—6	91.2	86.4	—5
Mum (medium)	29	20.6	29.0	+41	28.6	29.8	+4	30.7	30.7	0	32.0	29.3	—8	34.8	32.0	—8
Blue Jay Corn Plaster	23	17.0	23.0	+35	22.2	23.3	+5	23.6	23.2	—2	23.8	23.2	—3	25.0	23.8	—5
Scholl Corn Plaster	31	22.1	31.0	+40	31.0	31.0	0	32.8	32.2	—2	33.4	31.8	—5	35.0	33.4	—5
J. & J. Band-Aid	19	16.8	19.0	+13	23.2	22.6	—3	24.6	21.2	—14	24.8	21.8	—12	25.0	23.0	—8
Kotex (12's)	20	14.4	20.0	+39	18.8	20.3	+8	20.7	20.1	—3	19.7	20.0	+2	21.6	20.0	—7
Modess (12's)	19	14.4	19.0	+32	18.3	19.4	+6	20.5	19.7	—4	19.5	19.3	—1	21.2	19.6	—8
Bayer's Aspirin (100's)	59	44.2	59.0	+33	58.2	60.0	+3	64.6	60.0	—7	61.4	59.0	—4	69.4	61.4	—12
Squibb's Aspirin (100's)	39	30.0	39.0	+30	38.8	40.0	+3	44.2	39.0	—12	42.6	39.0	—8	39.0	39.0	0
Espotabs	19	15.0	19.0	+27	21.2	21.2	0	23.4	20.8	—11	24.1	21.2	—12	24.2	21.4	—12
Ex Lax (18's)	19	14.4	19.0	+32	19.8	19.6	—1	21.2	19.6	—8	22.4	20.2	—10	23.8	20.6	—13
Feenamint (16's)	19	14.8	19.0	+28	20.0	19.6	—2	21.2	20.0	—6	23.2	20.2	—13	23.0	20.6	—10
Drene Shampoo	49	38.2	49.0	+28	51.9	50.0	—4	51.4	49.5	—4	55.1	49.7	—10	57.0	51.4	—10
Eno (regular)	49	38.6	49.0	+27	47.2	49.4	+5	54.0	49.1	—6	52.6	49.0	—7	55.8	52.6	—7
Sal Hepatica (medium)	49	38.2	49.0	+29	46.1	49.0	+6	48.5	49.0	+1	48.4	49.0	+1	54.4	50.0	—7
Pluto Water	39	27.4	39.0	+42	38.1	39.0	+2	43.2	41.4	—4	42.1	39.4	—6	46.0	43.8	—5
Mile's Alka-Seltzer (large)	49	45.2	49.0	+8	49.5	49.2	—1	50.7	49.0	—3	52.0	49.1	—6	54.8	50.4	—8
Nujol (8 oz.)	41	38.4	41.0	+7	47.5	45.8	—4	52.0	46.8	—10	48.1	42.5	—12	52.0	43.8	—16
Vapex	49	47.4	49.0	+3	62.0	61.0	—2	67.2	64.8	—4	63.5	60.0	—6	70.6	64.2	—9
Mistol (2 oz.)	49	38.0	49.0	+29	57.9	60.0	+4	62.6	60.6	—3	61.1	59.1	—3	60.4	59.0	—2
Vick's Vaporub (medium)	27	22.0	27.0	+23	26.5	27.4	+3	30.2	28.1	—7	27.6	27.0	—2	34.0	31.0	—9
Rem (large)	69	62.0	69.0	+27	79.4	80.0	+1	86.6	82.6	—5	88.5	82.6	—7	93.4	88.4	—5
Pertussin (large)	98	94.6	98.0	+4	112.7	102.4	—9	123.6	102.2	—17	121.0	99.1	—18	131.6	115.2	—12
Kleenex (200)	13	12.2	13.0	+7	13.1	13.0	—1	14.7	13.2	—10	14.6	13.0	—10	14.0	13.3	—5
Baum Bengue	49	45.8	49.0	+29	54.7	60.0	+10	59.2	59.4	0	59.6	59.0	—1	70.6	62.8	—11
Fasteeth (medium)	49	39.6	49.0	+24	51.0	49.1	—4	49.9	49.6	—1	53.0	49.0	—8	56.8	52.0	—8
Glover's Mange Medicine	69	49.0	69.0	+41	61.6	69.0	+12	67.0	69.0	+3	66.9	69.0	+3	69.4	69.0	—1
Larvex (pints)	79	65.0	79.0	+22	82.4	80.7	—2	84.0	80.0	—5	88.2	80.0	—9	89.4	83.2	—7
Griffin Allwhite (large)	19	13.4	19.0	+42	21.2	20.2	—5	22.9	21.4	—7	23.5	20.7	—12	30.0	26.6	—11
Unguentine (50c.)	43	32.4	43.0	+33	41.4	43.5	+5	44.5	43.6	—2	41.9	43.0	+3	45.8	44.2	—3
Sloan's Liniment (small)	29	22.4	29.0	+29	28.6	29.4	+3	30.7	29.7	—3	31.9	29.1	—9	34.2	31.6	—8
Agarol (medium)	79	61.8	79.0	+28	81.4	86.4	+6	85.4	79.0	—7	87.1	80.0	—8	89.0	85.4	—4
Lysol Disinfectant (medium)	43	35.4	43.0	+21	44.8	44.7	0	45.1	44.5	—1	45.0	43.8	—3	47.6	45.8	—4
Average percentage change				+29			+2			—4			—5			—7

* These figures were obtained with the help of the National Independent Pharmacists, Inc.

† The data from which these figures have been compiled were supplied by the New York State Pharmaceutical Association.

come the quoted maximum. As a consequence retail gross profit margins veer towards stability.

In these results, manufacturers' price policies have played an important rôle. Most manufacturers have established the minimum prices for drugs fairly well below list prices, since they have realized that the full list price could not be maintained in the metropolitan areas. A too-drastic raising of the demoralized price level would have aroused consumers' sales resistance. Furthermore, there has had to be leeway for competition such as that existing between cash and carry stores and service and credit stores. As a result minimum quotations have been established for most items about half-way between the list prices and the lower cut-rate quotations. At the outset manufacturers appear to have been inclined to set prices relatively low and some are reported to have received considerable setbacks through price reductions in the rural areas, where list prices had been fairly well maintained before the enactment of Fair Trade laws.

On the whole producers seem to have been successful in reorganizing the erratic price structure of the leading advertised brands.

In New York City and Brooklyn, post-contractual prices (see Table II) in neighborhood drug stores, on the 50 fast-moving items have increased 2 per cent over pre-contractual prices, while an increase of 29 per cent is reported in merchandising drug stores. However, in cities with populations of 100,000 to 1,000,000 post-contractual prices in neighborhood drug stores show a decrease of 4 per cent from pre-contractual levels. Again, neighborhood drug stores in cities with populations of 10,000 to 100,000 show a price decrease of 5 per cent, and similar drug stores in more rural communities, populations 10,000 and under, record post-contractual prices 7 per cent below pre-contractual prices.

Generalizing, it can be said that prices of fast-moving products show a tendency to be increased in metropolitan areas where highly competitive conditions had prevailed. On the other hand, it appears that at least in the drug field prices of the advertised items have become lower in areas where competition is less keen. If one would search for the reasons why druggists in medium and smaller sized cities have reduced price quotations, it would appear that the bottom of enforced minimum prices enables the neighborhood drug store to meet cut-rate and chain store price competition without precipitating ruinous price wars. Accordingly these neighborhood druggists are setting lower prices on fast-moving items in anticipation of greater sales volume with a resultant larger profit.

Substitutes

On the other hand, chains are now trying to find a substitute for the banned loss leaders in sales of unprotected side-line items at attractive prices. The recent pump-priming buying of large chain units to initiate "off-price" consumer sales reflects this trend.

The differences in price effects of Fair Trade acts as between metropolitan and rural areas evidenced in New York State are presumed to be representative. From scattered evidence it might be concluded that prices show a similar trend in other Fair Trade States.

While in the field of drugs and cosmetics the setting of minimum prices sufficiently below list prices has been the chief expedient to make the system of resale price maintenance workable, the feature is of lesser importance in other industries. But manufacturers agree that it is highly desirable to establish such flexibility. Thus retailers of cameras are permitted to allow a certain discount on retail list prices. For one of the best known photographic articles this maximum allowance is 10 per cent of the list price. In the cigar trade elasticity of the price structure has been secured by lower minimum quotations allowed on multiple units. A Northwestern producer of flour is experimenting with contracts which set the invoice price plus a 7 per cent mark-up as the minimum. However, such flexible retail prices have frequently met with objections from retailer groups and have been blocked by their opposition. It is claimed that elastic prices encourage price cuts and thus work against the ends of retail price control. There is in fact a considerable body of evidence showing this tendency.

In the liquor, book, stationery, and tobacco trades the price structure had been less subjected to very deep price cuts than the drug trade. As a consequence these manufacturers were in a much better position to hold Fair Trade prices closer to their standard list prices than were the producers of drugs and cosmetics. To date there exists no evidence for the assumption

DRUG TOPICS

Cause for excitement among druggists, IGA Distributing Co. is selling a line of drugs through grocery stores.

that prices of standard brands in smaller cities have been reduced for liquor or tobacco products to the same extent as for standard drugs.

Even with the most elastic structure of minimum retail prices there remains the fact of convergence of selling prices and increased comparability of quotations as between similar products made by different manufacturers. This point seems to gain increased importance. It implies increased competition among manufacturers who present similar products. This increased competition is reflected in the manufacturer's list price. We notice a trend toward uniformity of minimum resale prices among similar articles of like sizes. Minimum prices for similar sizes of sanitary napkins, for instance, have become uniform. Prices for the larger sizes of toothpaste are being bunched in a 33-cent or 39-cent grouping. In other instances manufacturers have managed to maintain the special market place for their higher priced brands, due to the high consumer reputation built up for the commodity.

Wholesalers

Emphasis in Fair Trade has been distinctly on the retail price. Yet the manufacturer-wholesaler relation has become a major element in the resale price mosaic. For one reason, the jobbers have organized in some of the industries concerned and are striving for stabilization of wholesale margins. For another reason, manufacturers have found that the standardizing and maintenance of wholesale prices is frequently a corollary to the appeasement of retail antagonism. Thus in some instances producers have established a price structure under Fair Trade acts all the way through—from the first to the last distributor—fixing maximum discounts to be allowed in every step of the distribution scale.

The practical management of the wholesaler relation in price maintenance systems, however, has proved extremely complex. After three decades of revolutionary changes in the set-up of our distributive system there remains little of the old established order of regular wholesale channels. In most instances manufacturers using the jobber-retailer network do at least some wholesaling through their own sales organizations, frequently reserving to themselves the servicing of larger retailers. In some trades it has become customary for manufacturers to allow the larger independent retailers or chain stores the same discount as to the jobber. Not infrequently the retailers directly serviced receive in addition to these discounts promotional allowances which the wholesaler is not granted. The difficulties arising from this set-up are illustrated by a recent case.[3] The Supreme Court of New York denied injunctive relief to a manufacturer against a violator of the wholesale price agreement on the ground that the manufacturer could not require jobbers to maintain prices which he himself cut in his dealings with larger retail accounts.

Other handicaps to the establishment of wholesale margins originate in the legal structure of Fair Trade acts. Wholesalers frequently sell across State border lines, whereas prices have to be dove-tailed with State boundaries. Finally, the continued use, in spite of the Robinson-Patman Act, of differentiated promotional allowances, special rebates, and other indirect price concessions makes the equalization of jobber rebates extremely difficult.

Policing Retailers

Regardless of what is happening in the wholesale stage of distribution, the policing of the retail contracts has remained the worst headache of the manufacturer. He of course realizes that the enforcing of a uniform resale price for all of his retail customers, no matter what their operating expenses and merchandising policies, will evoke resistance from the one group or the other. In fact, there can be no doubt that this dealer antagonism has been the hot iron which has deterred and still deters many manufacturers from applying the plan. Yet there is evidence that the resistance has been less intensive than anticipated. In the drug trade, chain stores and most of the smaller department stores have cooperated. In other trades the large-scale distributors have been violators or obstructors of price maintenance systems to a much lesser extent than other units. The weapon of the private brand which was expected to cause the final breakdown of Fair Trade appears to have done no great damage to price-maintained national brands.

Opposing Groups

Quite naturally, in those trades where large-scale distributors form an important section of retail outlets, as in the food and dry goods industries, resale price control has little if any future. In other trades, such as in the tobacco trade, or in the jewelry field, large-scale retailers have checked, but not stopped, the progress of the plan. Gradually manufacturers are improving their merchandising technique so as to overcome resistance from opposing dealer groups.

One such policy is the elimination of retail outlets which are suspected as potential price-cutters. Department stores are occasionally classed among these. Cut-price stores, mail order houses, super-markets, and co-operatives have also been eliminated by some manufacturers for price protection's sake.[4] Other manufacturers have gone farther and have concentrated on exclusive outlets. A Northwestern flour producer, for instance, limits the sale of his price-protected flour brand to the independent retail trade. A jewelry manufacturer selling through jobbers has reserved the right to sell directly to such retail accounts as are considered

(Continued on page 44)

[3] *Gillette Safety Razor Company* v. *Green*. (167 Misc. 251.)

[4] The legal right of an individual manufacturer to cut out individual outlets or a group of customers has been upheld in various court decisions. Recently a New Jersey court has decided that equitable relief under Fair Trade acts should not be denied the producer because of his refusal to sell to any certain class of customers. *Revlon Nail Enamel Corp.* v. *Charmley Drug Shop*, 123 N. J. E. 301.

THE BUSINESS DIARY MAY · 1938

NLRB leads news as its decisions are attacked and appealed. . . . Tax Revision Bill only major legislation enacted as Congress attempts to speed adjournment. . . . TVA hearing, Harlan mine trial, and Jersey City dispute vie for public interest. Major commodity prices hit new low for present depression. . . . Czech crisis abates. . . . Franc devaluated.

2 SUPREME COURT upholds power of Radio Patents Pool to restrict use of licensed products; rules Arizona newspaper tax valid. Robinson-Patman Act brokerage regulation upheld by Federal court.

3 FEDERAL court issues restraining order to NLRB in Republic Steel case. New Deal senatorial candidate wins in Florida primary. Hitler fêted in Rome.

4 INLAND Steel and Douglas Aircraft join court attacks on NLRB.

5 FRANC minimum rate established at 2.79c.

6 WAGES and Hours Bill forced to floor of House by petition.

7 LAWRIN is Kentucky Derby winner.

10 ILLINOIS court holds sit-down strike illegal; rules Wagner Act does not protect violators of State laws.

11 UNITED STATES bars sale of helium to Germany.

12 SECRETARY WALLACE protests Supreme Court ruling in Kansas City stockyards case. French Government authorizes huge naval building program.

13 ROOSEVELT plan to renew Reorganization Bill battle reported in Congress. Mexico severs diplomatic relations with Britain.

15 FTC charges twenty-four Michigan and Wisconsin lumber manufacturers with price fixing.

16 SUPREME COURT sustains NLRB reinstatement of union workers in Mackay Radio suit; reopens Republic Steel case; upholds undistributed profits tax principle in confirming a deficiency levy on National Grocery Company; agrees to hear suit of eighteen utilities against TVA. Harlan mine trial opens—first criminal case under Wagner Act.

17 CIO and New Deal suffer reverses in Pennsylvania primaries. Billion dollar Naval Expansion Bill signed.

19 RAIL unions warn of certain strike if wages are cut.

21 HESS, New Deal and labor candidate, narrowly defeats opponent in Oregon primary. Czechs mass 400,000 troops near Reich border.

22 EUROPEAN tension eases as Reich troops withdraw from Czech border.

23 SUPREME COURT finds State activities taxable in Port Authority and football rulings; upholds NLRB in Remington-Rand, Black Diamond Steamship, and Carlisle Lumber cases. Franc sinks below "minimum" to 2.77c.

25 TVA inquiry opens before Congressional Committee.

26 JAPANESE cabinet shakeup strengthens power of Army.

27 PRESIDENT scores Tax Revision Bill as it becomes law unsigned; signs amendment to second Liberty Bond Act, increasing to $30 billion amount of Government bonds which may be outstanding at one time. General Motors, Chrysler, and Ford indicted for Anti-Trust Act violation.

31 SUPREME COURT denies review of Kansas City stockyards case; upholds NLRB right to withdraw order against Republic Steel; agrees to reopen Patents Pool case; adjourns till October. Administration leaders agree not to revive Reorganization Bill this session.

THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

The course of business generally continues to reflect the conservative attitude of investors and of buyers. Meanwhile, low operating rates result in a further adjustment of the supply of goods to current buying levels. Construction and shipbuilding industries show increasing activity. Business abroad, though still at high levels, compares less favorably with last year.

THERE was little in the statistical evidence for May and early June to indicate that business had shaken off its lethargy. Caution remained the prevailing note in financial and commercial circles. Industry, prices, income, and purchasing moved further from the 1937 heights, but apparently without the determination that characterized the early stages of their recession.

Industrial Production

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1935	1936	1937	1938
January	90	97	114	80
February	90	94	116	79
March	88	93	118	79
April	86	101	118	77
May	85	101	118	75*
June	87	104	114	
July	86	108	114	
August	88	108	117	
September	91	109	111	
October	95	110	103	
November	96	114	89	
December	101	121	84	

* Estimated

The picture looks somewhat less bleak if the decreases that have occurred are analyzed in the light of their contribution to the correction of existing maladjustments. Inventories must be reduced, costs and prices adjusted, profits restored, before a healthy upward movement can be resumed. If the present inactivity is contributing to such adjustments, it is less correctly termed a "period of inertia" than a "pause that refreshes."

On these pages in the June issue, present trends in inventories and costs were briefly considered. Comparisons were made between the decreases in output of goods and purchasing, in trade inventories and sales volume, in income and living costs, in prices of raw materials and of finished goods. Although obviously restricted in their application, these comparisons gave some clues to the weak and strong aspects of the situation.

Another month of strict curtailment in manufacturing schedules and cautious commitments has made some further contribution to inventory reduction. The index of department store stocks (Federal Reserve Board) was down to 68 at the end of April, 13 per cent lower than the 1937 high. Wholesalers' stocks (U. S. Bureau of For. and Dom. Commerce) were cut for the fourth consecutive month, and at the end of May were 14.5 per cent below May of last year.

Automobile production during May was again reduced somewhat more than seasonally, but the low level of operations was reflected in a substantial improvement in inventories. It is estimated that dealers' stocks were cut 35,000 to 45,000 units during the month, making the total liquidation since the

Factory Payrolls

U.S.B.L.S. Index
1923-1925 = 100

	1935	1936	1937	1938
January	65.0	73.8	90.7	71.6
February	70.0	73.7	95.8	73.2
March	71.7	77.6	101.1	73.3
April	71.7	79.3	104.9	70.5
May	69.4	80.8	105.2	
June	67.4	81.1	102.9	
July	66.5	80.2	100.4	
August	71.0	83.5	103.8	
September	73.7	83.6	100.1	
October	76.4	89.0	100.1	
November	75.6	90.7	89.5	
December	77.6	95.2	80.9	

first part of the year about 100,000 units.

Despite this improvement, the steel industry looks for little change in the buying policy of its important customer during the remainder of this model year, its steel holdings being estimated sufficient to cover requirements for the remaining months. The steel operating rate has been pared further: from 33 per cent of capacity in April to 30 per cent in May, and to 27 per cent in the first two weeks of June—the year before it was averaging 86 per cent of capacity. Although no direct measure of steel inventories is available, the relative decline in the industry's activity against that of its principal consumers points to a sizable reduction in total stocks.

At present, the construction and shipbuilding industries appear to be the backbone of steel demand and are regarded by the industry as the most promising outlets in the immediate future. With 16 more commercial vessels under construction than at this period last year, June tonnage under

Department Store Sales

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1935	1936	1937	1938
January	76	81	93	90
February	77	83	95	88
March	79	84	93	85
April	75	84	93	83
May	74	87	93	79*
June	79	87	93	
July	80	91	94	
August	77	86	92	
September	81	88	94	
October	78	90	93	
November	82	94	91	
December	83	92	89	

* Preliminary.

construction or under contract to be built was 62 per cent above last June.

Although activity in the construction industry does not compare quite so favorably with last year, at least in residential and public projects it shows improvement from month to month. Indicative of the active interest in home financing, the FHA reports that in May mortgages selected for appraisal totalled $96,111,000, a new monthly high, and 64 per cent greater than last year. About three-fourths of these represent "new construction." The dollar volume of construction contracts for May, reported by F. W. Dodge, was 28 per cent higher than in April, and 16 per cent greater than in May, 1937.

Despite the better showing in these two industries, industrial activity on the whole was at a lower rate in May than in April, and the adjusted index of production dropped about 2 points.

This curtailment was reflected in a decrease of 2.6 per cent in industrial employment and of 1.8 per cent in payrolls. The USBLS index of factory payrolls dropped to 69.4 from 70.5 in April. Since compensation of employees represents about two-thirds of all income payments, this decrease was reflected in a further decline in the index of total income.

Wholesale Commodity Prices

U.S.B.L.S Index--1926 = 100

Week	Mar. 1938	Apr. 1938	May 1938	June 1938
I	79.8	78.8	77.9	77.7
II	79.8	78.5	77.8	77.8
III	79.5	78.6	78.2	
IV	79.2	78.6	78.1	
V		78.3		

Consumer spending also declined in the month. Major measurements of sales volume showed the most unfavorable year-to-year comparisons in several years. Department store sales were 17 per cent lower than in May, 1937, and chain store sales 11 per cent lower.

According to latest available statistics, foreign buying of our merchandise continues to hold at relatively high levels—still above the same months of 1937. This good record, compared with the sharp slump in our own buying of foreign goods, has given us a "favorable" merchandise balance of $435,312,000 for the first third of 1938.

The importance of the prop against domestic recession afforded by foreign demand justifies careful scrutiny of trends outside the United States. It is worth noting that in the first third of the year, about 18 per cent of the automobiles which we produced, 20 per cent of the airplanes, 50 per cent of the machine tools—to mention only a few items—went to foreign markets.

So far, there is no evidence that the important countries are about to suffer a depression comparing in magnitude to our own. However, with the possible exception of Germany, Italy, Russia, and the Scandinavian countries, a persistent recession from the high levels of last year is in progress. The Canadian business index (by the Bank

Industrial Stock Prices

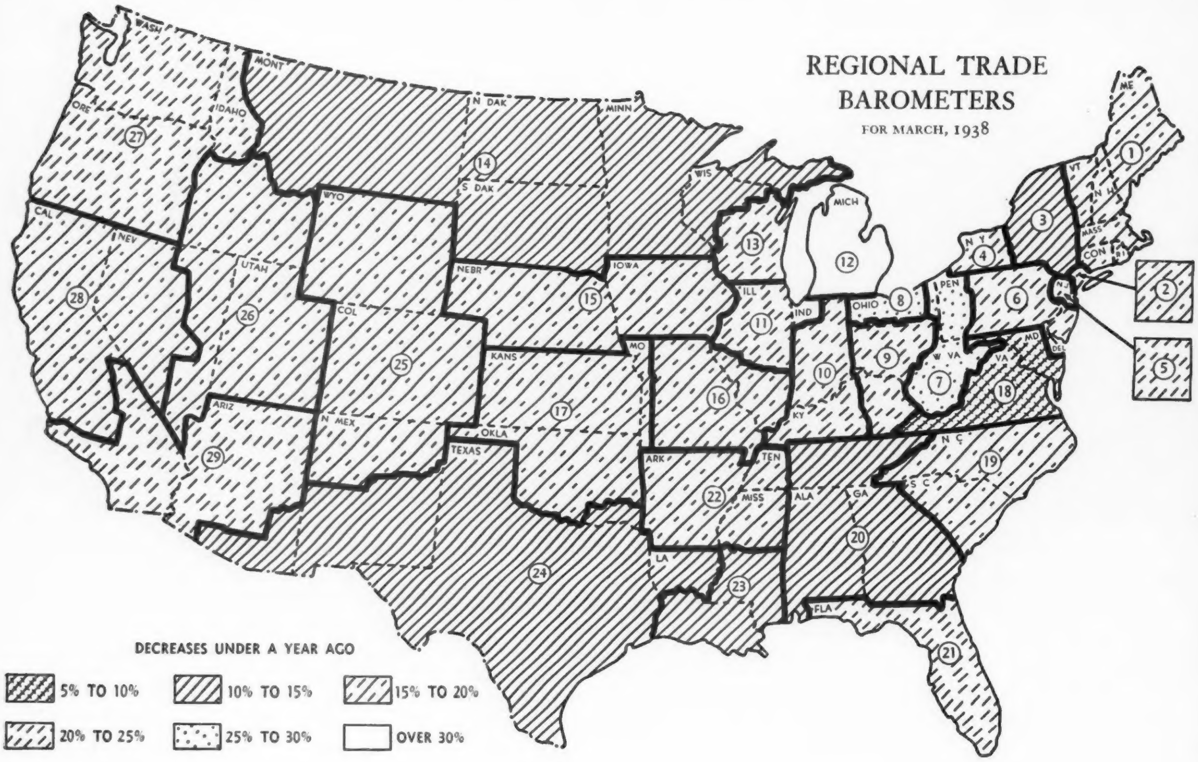
Dow-Jones Index (Weekly Average)

Week	Mar 1938	Apr. 1938	May 1938	June 1938
I	128.86	103.04	114.09	110.11
II	124.35	108.43	118.09	114.08
III	122.44	115.80	115.38	113.03
IV	113.60	116.97	110.35	
V		113.39		

of Nova Scotia) has been falling since last September, and in April was 4 per cent lower than the year earlier. In the United Kingdom, the decrease from the previous year amounted to 8 per cent in April *(Economist's* index), and accompanied dullness in the new capital market and a decline in new building plans. Foreign observers stress the importance of an early recovery in the United States in preventing a steeper recession in world business. Meanwhile, armaments and public works play an increasingly important rôle in sustaining activity.

At home, the action of commodity and security markets continued to reflect the lack of vitality prevailing in industry. Stock prices held above the March-end lows, but trading during May averaged only a little more than half-million shares daily, and in early June dropped below that. Reports of large crops and heavy metal stocks, coupled with small demand, depressed commodity prices further: the USBLS weekly index approached the late-1934 level.

Another excess supply-weak demand situation is portrayed by the Federal Reserve Bank statements. Against expanding reserves (a $913,000,000 gain from the middle of April to June 1), loans have continued to contract. In these six weeks they have fallen $233,-000,000.



TRADE INDEX CLOSE TO 1934 LEVEL

The United States Trade Barometer dropped to 75.0 (preliminary) in May from 76.7 in April. The Barometer figures are compiled by Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc.; trade information is reported by the 157 district offices of DUN & BRADSTREET, INC.

CONSUMER buying decreased by more than the usual seasonal amount from April to May, and the adjusted index of trade declined to 75.0 (preliminary) from 76.7, making the sixth consecutive month-to-month drop. Compared with May of last year, the barometer was off 24 per cent—the largest decline from the previous year since the beginning of this slump.

The present level of the index, slightly above the 1934 average, is approximately that of December, 1934. While it took twenty-seven months for the barometer to climb from that position to its peak in March, 1937, only fourteen months have been needed for it to return to the old level.

A number of factors combined to make May a poor month for retail volume. The weather was wet and unseasonable in almost every section of the country. Saturdays, which are the most important days in the week for many retail trades, numbered only four, against five in April and in last May. Retail prices were lower, reducing the dollar value of unit purchases. And, most important, consumer incomes suffered further curtailment, both in rural and in industrial areas.

Reports from DUN & BRADSTREET offices for the first part of June indicated a somewhat more favorable showing in trade, despite the absence of any improvement in the consumer income factor. The weather turned warmer, and buying of light apparel, which had been delayed by cold and rains, caused a slight spurt in sales totals. Purchases of wedding and graduation outfits and gifts also played a part in raising volume.

There was little indication of a change in the sectional pattern of trade. The regional indexes for April, the latest available, continued to illustrate the differences in the degree to which various parts of the country have felt the slump in buying power. The broadest declines from the

corresponding month of 1937 again occurred in the northern regions, extending from New England west to the Mississippi River. Within this area, the least unfavorable comparison with the previous year (a drop of 15 per cent) was found in the Albany and Syracuse region, the most unfavorable (a drop of 35 per cent) in the Detroit region.

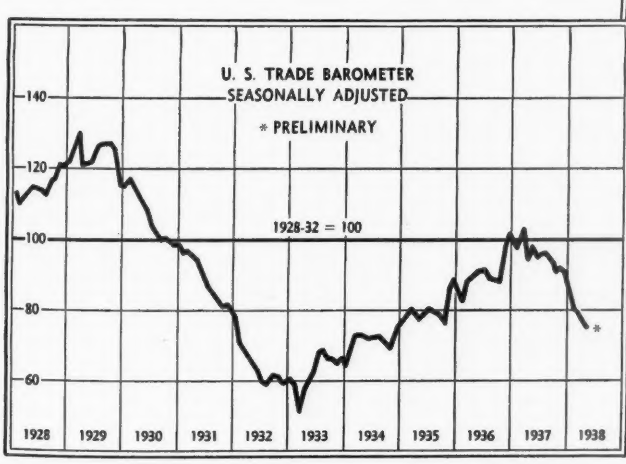
The four regions in the Far West—Salt Lake City, Portland and Seattle, San Francisco, and Los Angeles—which have been running the Northeast a close second in the magnitude of their decline, improved their position somewhat from March to April. All four of these indexes increased during the month.

The South and Southeast continued to make the best relative showing, although a month-to-month downtrend was again in evidence in most regions. The Texas index retained its place as the highest in the country relative to 1928-1932, but lost to Maryland and Virginia in the percentage change from 1937. The Maryland and Virginia index was down 9.6 per cent in the year, Texas 10.2 per cent, and the entire South and Southeast section about 14 per cent.

THE MAP AND TABLE compare the April, 1938, indexes with those for the same month a year ago. In the column at the extreme right of the table there is indicated the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions (charted, with U. S., from 1928, on pages 28-31; figures for 1928 through April, 1938, on page 28) are composites based on: bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Department of Commerce), and in region 2, advertising linage (*Editor and Publisher*), which were found to make those indexes more accurate, are included. In region 15, department store sales have been omitted. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The monthly average for the five years 1928-1932 equals 100. The preliminary figure for the United States is computed one month before the regional figures are available.

THE PARAGRAPHS printed opposite the 29 regional charts quote figures for April based on samples of department and retail stores reporting to the Federal Reserve banks; for May and for the first half of June based on opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices in making up their estimates.



REGIONAL TRADE BAROMETERS

	REGION	April 1938 Regional Index	April 1938 Compared with April 1937 (%)	Retail 1935 Sales %
	U S	76.7	−19.0	100.0
1	NEW ENGLAND	70.4	−17.5	7.8
2.	NEW YORK CITY	67.6	−18.8	10.3
3	ALBANY AND SYRACUSE	78.9	−14.6	2.6
4	BUFFALO AND ROCHESTER	68.4	−20.2	1.9
5	NORTHERN NEW JERSEY	69.4	−20.4	2.9
6.	PHILADELPHIA	70.2	−22.6	6.2
7	PITTSBURGH	74.3	−25.3	3.7
8	CLEVELAND	75.1	−25.3	2.9
9	CINCINNATI AND COLUMBUS	82.5	−20.3	3.1
10.	INDIANAPOLIS AND LOUISVILLE	89.0	−20.5	2.6
11.	CHICAGO	76.5	−21.9	6.4
12.	DETROIT	63.4	−34.6	4.0
13.	MILWAUKEE	85.6	−20.4	2.2
14	MINNEAPOLIS AND ST. PAUL	91.5	−10.7	4.5
15.	IOWA AND NEBRASKA	71.4	−18.5	3.0
16.	ST. LOUIS	76.9	−18.7	2.5
17.	KANSAS CITY	81.9	−15.9	3.6
18.	MARYLAND AND VIRGINIA	95.5	− 9.6	3.8
19.	NORTH AND SOUTH CAROLINA	85.8	−17.1	2.1
20.	ATLANTA AND BIRMINGHAM	93.0	−14.0	3.5
21.	FLORIDA	94.2	−21.8	1.3
22.	MEMPHIS	81.7	−17.2	1.5
23.	NEW ORLEANS	87.6	−10.0	1.0
24	TEXAS	100.3	−10.2	4.5
25	DENVER	92.6	−18.5	1.3
26.	SALT LAKE CITY	84.4	−16.7	.8
27	PORTLAND AND SEATTLE	78.0	−21.2	2.7
28.	SAN FRANCISCO	82.0	−17.3	3.4
29.	LOS ANGELES	82.4	−20.0	3.9

ANNUAL AVERAGES OF MONTHLY INDEXES, 1928-1937—MONTHLY, JANUARY-APRIL, 1938—SEASONALLY ADJUSTED; 1928-1932 = 100

REGION	U. S.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1928	115.1	113.2	114.8	113.7	116.3	107.7	114.8	115.1	119.7	115.9	116.2	117.4	121.3	115.3	114.2
1929	124.2	122.0	126.4	121.6	126.4	120.4	124.3	124.7	128.4	122.4	124.1	129.8	134.3	120.5	123.1
1930	107.1	106.3	104.7	106.4	105.7	107.6	106.3	110.7	105.9	106.2	105.2	107.2	102.4	107.2	107.6
1931	89.2	90.8	88.5	90.3	87.5	93.4	89.2	88.5	86.6	90.3	88.0	85.6	82.7	90.7	89.0
1932	64.5	67.7	65.7	68.1	64.2	70.9	65.4	61.0	59.3	65.3	66.6	60.0	59.3	66.3	66.2
1933	63.0	65.3	64.5	68.6	63.1	66.1	63.7	60.7	61.0	64.7	65.0	62.4	49.0	63.3	65.6
1934	71.3	69.6	69.8	73.3	67.8	70.0	70.4	69.7	72.3	75.0	75.3	69.5	64.8	72.4	74.5
1935	80.1	74.8	75.0	79.7	73.5	75.9	77.7	77.3	79.9	84.9	86.5	79.8	79.8	83.2	86.6
1936	90.3	83.7	82.8	87.9	82.5	83.6	86.4	89.5	92.0	97.2	99.1	92.7	92.7	96.4	94.9
1937	95.8	85.7	84.5	95.1	87.5	87.8	90.8	98.6	101.2	106.3	108.3	98.1	102.9	103.5	99.5
January, 1938	84.8	76.0	73.5	85.9	78.0	75.3	76.1	80.7	80.9	90.8	92.9	89.1	76.9	93.3*	93.8
February	80.2	74.0	71.0	83.2	74.5	74.9	72.6	78.0	78.6	88.6	87.7	81.8	72.7	88.4*	89.2
March	79.4	70.3	66.4	78.5	70.7	72.5	70.2	75.9	73.6	81.5	85.1	83.8	67.8	91.6*	87.5
April	76.4	70.4	67.6	78.9	68.4	69.4	70.2	74.3	75.1	82.5	89.0	76.5	63.4	85.6	91.5

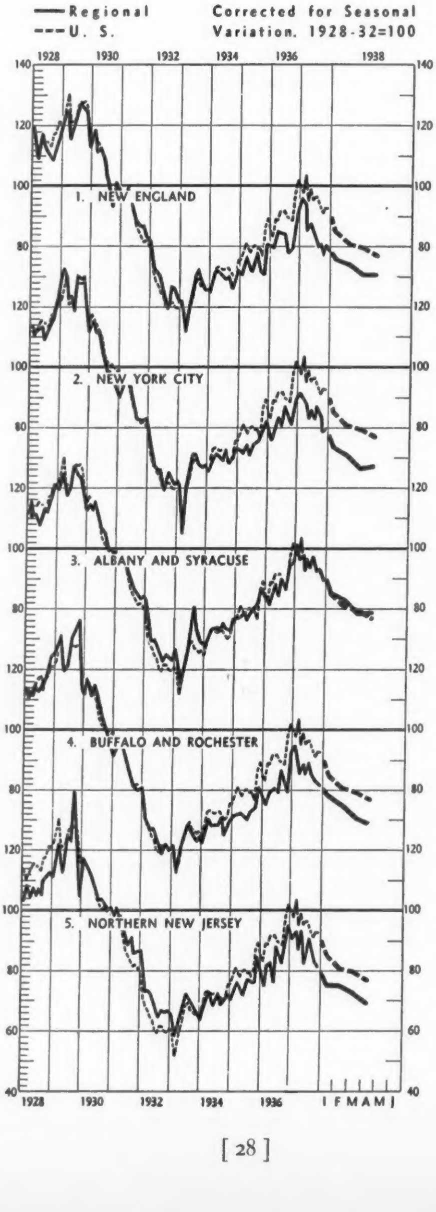
* Revised.

REGION	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
1928	110.1	116.8	116.5	105.6	124.0	115.9	122.7	123.0	120.5	117.4	112.6	117.5	116.7	115.3	113.7
1929	118.3	122.4	126.5	113.3	125.8	125.4	120.6	131.1	122.6	127.3	121.7	126.8	127.3	118.5	126.0
1930	109.6	104.3	108.6	107.4	102.2	105.7	107.7	104.2	103.8	105.9	106.6	108.0	110.0	108.4	108.3
1931	93.7	89.9	84.9	97.6	86.6	87.7	86.1	80.1	86.4	85.0	91.2	86.8	86.7	90.6	88.4
1932	68.4	66.6	63.6	76.1	61.4	65.3	63.0	61.5	66.8	64.4	67.8	60.9	59.4	67.2	63.7
1933	63.5	64.3	66.0	70.0	68.8	66.9	65.0	61.8	65.7	66.5	67.8	59.9	55.9	65.2	61.6
1934	74.8	72.1	77.0	80.8	84.3	82.3	82.3	75.2	77.4	80.5	82.3	72.6	66.5	71.7	66.3
1935	82.9	79.3	85.2	91.6	91.7	88.4	92.1	80.3	81.9	89.9	92.5	83.3	77.2	84.6	80.2
1936	86.3	87.7	92.7	101.4	99.2	99.8	107.3	93.6	96.5	103.7	106.2	93.9	92.7	95.2	94.1
1937	84.1	94.1	98.9	106.7	108.3	110.3	116.0	96.7	99.7	113.7	112.0	101.9	96.8	98.9	99.4
January, 1938	86.9	90.8	95.7	95.6	99.1	99.6	99.5	89.1	92.7	115.8	97.5	89.2	83.7	88.3	87.4
February	76.1	80.9	87.3	93.2	92.9	102.5	100.5	85.8	94.2	110.5	95.9	88.0	80.6	82.0	84.0
March	70.6	77.0	85.3	89.5	90.2	97.1	100.6	89.9	95.3	103.1	96.6	81.2	76.9	77.4	76.6
April	71.4	76.9	81.9	95.5	85.8	93.0	94.2	81.7	87.6	100.3	92.6	84.4	78.0	82.0	82.4

1. New England

APR., 70.4 MAR., 70.3 APR. 1937, 85.3

APRIL—Percentage department store sales changes from previous April: Boston +6, Providence —8, New Haven +1. MAY—Percentage retail trade decreases from previous May: Bangor 25, Portland–Springfield 20, Boston 10, New Bedford 10, Worcester 4, Providence 8, Hartford 30, New Haven 25; Manchester sales up 8%. Wholesale trade decreases: Portland–Springfield 20, Boston 12. Potato prices up slightly, but 95% of the 1937 crop already sold. Payrolls and production under year ago. Textile mills report only fill-in orders. Collections slow. JUNE—Ordering cautious at annual Shoe Fair in Boston. Retail situation practically unchanged; increasing number of failures, especially among women's wear and food stores.



2. New York City

APR., 67.6 MAR., 66.4 APR. 1937, 83.3

APRIL—Percentage department store sales changes from previous April: New York City —1, Bridgeport +4, Westchester-Stamford +2. MAY—Percentage retail trade decreases from previous May: Bridgeport 15, New York City department store sales 13, hotel sales 8, parcel deliveries 8. Unseasonable weather important factor in holding down volume. Bank clearings 15% below year ago in New York City, off 12% in Westchester County. Seasonal curtailment in clothing and millinery industries. Employment 5% below April; payrolls off 7%. Collections fair at Bridgeport, slower than last year. JUNE—New York City department store sales 18% lower than year ago. Wholesale buying continues slow in all lines.

3. Albany and Syracuse

APR., 78.9 MAR., 78.5 APR. 1937, 92.4

APRIL—Percentage department store sales increases from previous April: Syracuse 1, Northern State 20, Central State 7. MAY—Percentage retail trade decreases from previous May: Albany 20, Binghamton 14, Gloversville 10, Utica 15, Syracuse 10. Wholesale trade decreases: Albany 25, Syracuse 8. Large hay crop indicated; usual acreage planted in other products. Payrolls and production below year ago; slight downtrend during month. Typewriter plants on reduced schedule to supply current orders only. No improvement seen in textile lines. Collections slower than year ago. JUNE—Small pick-up in shoe factories. General conditions unchanged. Binghamton retail and hotel business aided by State Elks' convention.

4. Buffalo and Rochester

APR., 68.4 MAR., 70.7 APR. 1937, 85.7

APRIL—Percentage department store sales changes from previous April: Buffalo —4, Rochester +2, Niagara 0. MAY—Percentage retail trade decreases from previous May: Buffalo 8, Jamestown 19, Elmira 15, Rochester 9. Department stores off less than other retail outlets. Buffalo wholesale trade down 6% in year; bank clearings 20%. Payrolls and production below year ago and down slightly in month. Automobile plants and allied lines preparing for July 1 closing. Collections slower than year ago. JUNE—Good deal of effort to stimulate trade by special sales and price cuts. In Buffalo, department store stocks 10% below year ago; inventories still large in wearing apparel lines. Steel industry averaging about 24% of capacity.

5. Northern New Jersey

APR., 69.4 MAR., 72.5 APR. 1937, 87.2

APRIL—Northern New Jersey department store sales volume 2% below previous April. MAY—Newark retail trade 16% below previous May; wholesale trade off 9%. Bank clearings down 33% in Northern New Jersey and 9% in Newark.

(Continued directly opposite)

Payrolls and production below year ago; moderate increase in activity during month due to need for inventory replenishment. Value of Newark building permits sharply above last year for second consecutive month; below last year in other cities. Collections spotty; somewhat faster than year ago in retail lines, slower in wholesale, unchanged in manufacturing. JUNE—Newark department store sales 15% below corresponding period of last year.

6. Philadelphia

APR., 70.2 MAR., 70.2 APR. 1937, 90.7*

APRIL—Percentage department store sales changes from previous April: Trenton +5, Philadelphia —8. MAY—Percentage retail trade decreases from previous May: Trenton 5, Philadelphia 12, Scranton 5, Harrisburg 5, Lancaster 18, York 18, Wilmington 10, Johnstown 20. Philadelphia wholesale trade off 20%; jewelry, boots, and shoes up during month; dry goods still very weak. Payrolls and production below year ago; somewhat lower than in April. Philadelphia department store strike settled, after running for over a month. Collections slower than year ago. JUNE—Buying of Summer merchandise checked by rain and low temperatures. Retail volume 20 to 25% under 1937 in many Philadelphia stores. *Revised.

8. Cleveland

APR., 75.1 MAR., 73.6 APR. 1937, 100.5

APRIL—Percentage department store sales decreases from previous April: Cleveland 5, Akron 18, Toledo 17. MAY—Percentage retail trade decreases from previous May: Cleveland 15, Akron 32, Canton 40, Lima 15, Toledo 18. Wholesale trade decreases: Cleveland 28, Akron 12, Toledo 20. Berry crops affected by belated cold spell; outlook for truck products good. Payrolls and production below year ago; fairly steady recently, except in Akron, where labor difficulties have added to depressed condition of rubber industry. Collections slower than year ago. JUNE—Employment in Toledo area 50% of last year's total. Recently some decrease in Cleveland unemployment registrations. No change in trade.

10. Indianapolis and Louisville

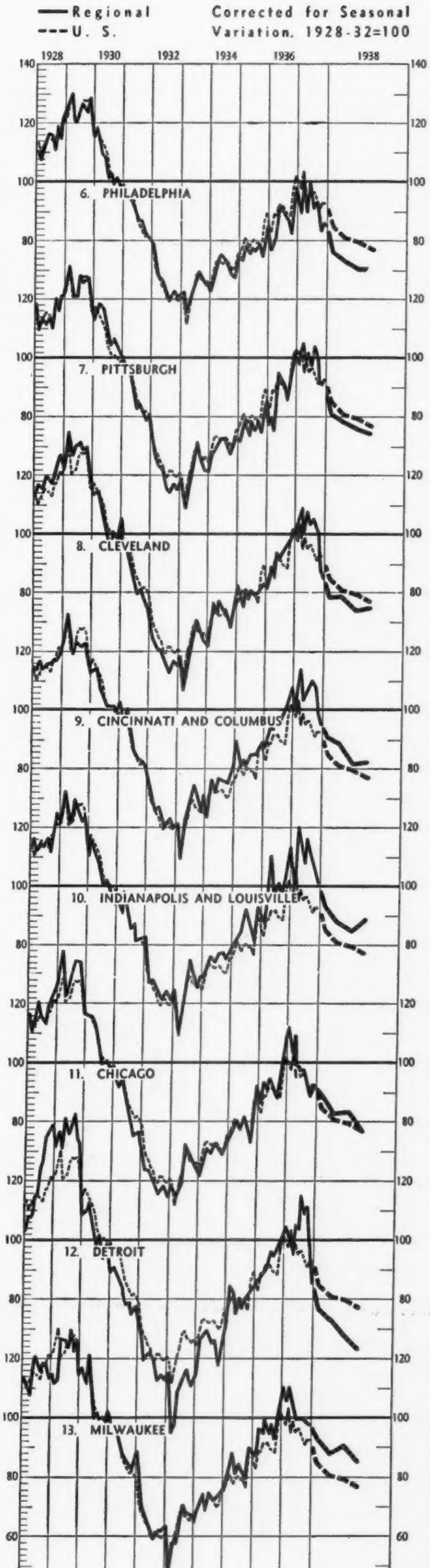
APR., 89.0 MAR., 85.1 APR. 1937, 111.9

APRIL—Percentage department store sales decreases from previous April: Louisville 17, Indianapolis 3, Fort Wayne 4. MAY—Percentage retail trade decreases from previous May: Louisville 15, Evansville 10, Indianapolis 15, Terre Haute 5, Fort Wayne 10. Wholesale trade decreases: Louisville 25, Indianapolis 20. Bank clearings off 11% in Indianapolis. Livestock and crop prospects favorable. Payrolls and production below year ago; some downtrend since April. Farm implement, iron, and metal manufacturers report volume 35 to 40% lower than in same period of 1937. Collections steady to slower than year ago. JUNE—Retail volume slightly lower; household furnishing lines hardest hit by trade decline.

12. Detroit

APR., 63.4 MAR., 67.8 APR. 1937, 97.0

APRIL—Detroit department store sales volume 21% below previous April. MAY—Percentage retail trade decreases from previous May: Detroit 30, Grand Rapids 12, Saginaw 30. Sales of Summer goods retarded by cool weather. Wholesale trade decreases: Detroit 25, Grand Rapids 10. Fruit yields expected to be good; prices fairly steady, below year ago. Payrolls and production sharply below last year; further drop during month in automobile industry and allied trades. Automobile output about 210,000 units compared with 540,000 in May, 1937. Collections slower than year ago. JUNE—Retail volume averaging 25% under last year; department and women's wear stores still show most favorable comparison.



7. Pittsburgh

APR., 74.3 MAR., 75.9 APR. 1937, 99.4

APRIL—Percentage department store sales changes from previous April: Pittsburgh —7, Wheeling +6. MAY—Percentage retail trade decreases from previous May: Erie 12, Youngstown 20, Pittsburgh 22, Clarksburg 15, Parkersburg 10, Huntington 50, Charleston 5, Bluefield 20. Wholesale trade decreases: Erie 15, Pittsburgh 20, Charleston 5. Crop conditions favorable; season somewhat later than usual. Payrolls and production below year ago; down from April level. Pittsburgh steel at end of month operating 22% of capacity; lowest point for the year. Bituminous coal industry averaging one or two days a week. JUNE—Erie retail volume off 15%, Pittsburgh 30% below year ago; wholesale trade hesitant.

9. Cincinnati and Columbus

APR., 82.5 MAR., 81.5 APR. 1937, 103.5

APRIL—Percentage department store sales decreases from previous April: Cincinnati 3, Columbus 1. MAY—Percentage retail trade decreases from previous May: Cincinnati 25, Lexington 10, Portsmouth 33, Dayton 25, Springfield 30, Columbus 18, Zanesville 18. Wholesale trade decreases: Cincinnati 30, Columbus 15. General yield situation good, but gross farm income below year ago. Payrolls and production lower than last year. Large automobile plant in Cincinnati has suspended operations until demand improves. Sales of farm implements, while below 1937, are still good. JUNE—Cincinnati retail sales averaging 30% below 1937; volume more favorable in smaller cities where rural trade is important factor.

11. Chicago

APR., 76.5 MAR., 83.8 APR. 1937, 98.0

APRIL—Percentage department store sales decreases from previous April: Chicago 11, Peoria 1. MAY—Percentage retail trade decreases from previous May: Chicago 10, Rockford 50, Peoria 5, South Bend 30. Chicago wholesale trade off 5%, bank clearings 17%. Crop prospects good. Payrolls and production below year ago in all reporting cities; steady to down during month. Large plants on two and three-day schedules. Rockford merchants feeling effect of $200,000 payroll loss due to strike in one of largest plants. Wholesale, retail, and manufacturing collections steady to slower than year ago. JUNE—Retail volume affected by wet weather. Building in many of the suburbs is slightly upward.

13. Milwaukee

APR., 85.6 MAR., 91.6* APR. 1937, 107.5*

APRIL—Milwaukee department store sales volume 6% below previous April. MAY—Percentage retail trade decreases from previous May: Milwaukee 13, Green Bay 6. Wholesale trade off 10% in Milwaukee; grocery and electrical lines better than average. Crop outlook good; milk prices about 10% below last year. Grain movement through Milwaukee largest for any month in past year. Payrolls and production below year ago. Paper mills on five-day week, with orders still falling slightly and prices unsteady. Collections as prompt as last year in Milwaukee; slower in Green Bay. JUNE—Weather conditions favorable, stimulating more active buying of Summer merchandise; sales volume carried close to last year's level. *Revised.

14. Minneapolis and St. Paul

APR., 91.5 MAR., 87.5 APR. 1937, 102.5

April—Department store sales volume in the region 5% above previous April. May—Percentage retail trade decreases from previous May: Duluth 15, Minneapolis 3, St. Paul 10, Fargo 5, Sioux Falls 8, Butte 25, Great Falls 20. Wholesale trade decreases: Duluth 15, Minneapolis 8, Great Falls 20. Crop prospects best in several years; weather conditions good. Payrolls and production below year ago. New orders scarce and many concerns are laying off help. Duluth ore shipments only 30% of last year's. Seasonal upturn in ice cream and beverage production. Collections slower than year ago. June—Improved weather conditions after steady rains encouraging sales; Twin Cities' volume about 5% below year ago.

16. St. Louis

APR., 76.9 MAR., 77.0 APR. 1937, 94.6

April—Percentage department store sales changes from previous April: St. Louis —4, Springfield (Mo.) +17, Quincy —1. May—Percentage retail trade decreases from previous May: St. Louis 6, Springfield (Mo.) 6, Springfield (Ill.) 12, Quincy 5. St. Louis wholesale trade off 12%. Outlook for crops generally favorable, although considerable wheat rust is reported in some sections. Payrolls and production below last year; unchanged in the month. Dry goods inventories still heavy. Boot and shoe production low, but pick-up evident recently. Collections fair to poor. June—Retail volume slightly lower, but seasonal items resist the downtrend. Wholesalers' stocks substantially liquidated.

18. Maryland and Virginia

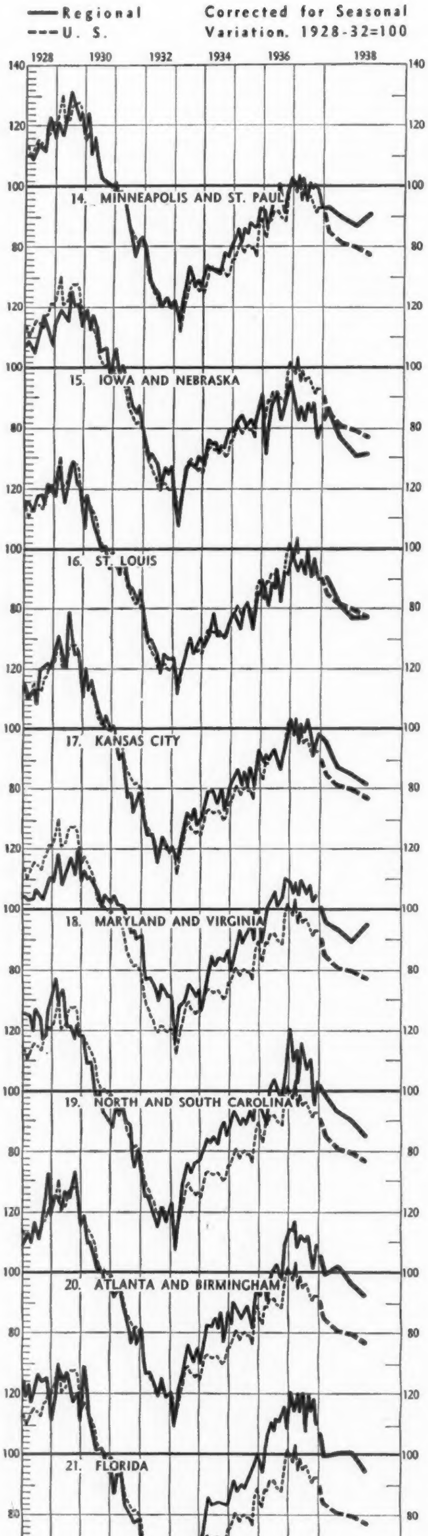
APR., 95.5 MAR., 89.5 APR. 1937, 105.6

April—Percentage department store sales increases from previous April: Baltimore 12, Washington 10, Richmond 15, Virginia State 13. May—Percentage retail trade decreases from previous May: Baltimore 10, Washington 7, Norfolk 10, Richmond 4, Lynchburg 12, Roanoke 13, Bristol 1. Wholesale trade decreases: Baltimore 15, Norfolk 12, Richmond 8. Crop prospects above normal; prices 10 to 50% below last year. Payrolls and production below year ago. Cigarette and building industries continue active. Collections spotty; good in Washington and Richmond. June—Industrial activity unchanged. Slight advance in retail trade due to better demand for Summer apparel, graduation, and wedding outfits.

20. Atlanta and Birmingham

APR., 93.0 MAR., 97.1 APR. 1937, 108.2

April—Percentage retail trade changes from previous April: Atlanta 0, Birmingham +2, Montgomery +24, Chattanooga +12, Nashville —6. May—Percentage retail trade decreases from previous May: Atlanta 6, Augusta–Columbus–Macon–Nashville 10, Savannah 25, Birmingham 5, Montgomery 19, Mobile 15, Knoxville 20; Chattanooga trade 2% above last year. Wholesale trade decreases: Atlanta 20, Birmingham 10, Nashville 15. Crop conditions generally good; peach crop above average. Payrolls and production below year ago. Textile mills working only part time. Lumber and other building material lines most active business at present. Collections slow. June—Retail sales 10% under year ago in Atlanta, off 5% in Savannah.



15. Iowa and Nebraska

APR., 71.4 MAR., 70.6 APR. 1937, 87.6

April—Omaha department store sales volume 4% below previous April. May—Percentage retail trade decreases from previous May: Burlington 10, Cedar Rapids 3, Davenport 20, Dubuque 10, Waterloo 5, Des Moines 10, Sioux City 6, Lincoln 5, Omaha 15. Wholesale trade decreases: Sioux City 10, Omaha 15, Des Moines 15. Heavy rains delaying planting in some sections, but outlook for large crops continues good. Payrolls and production steady to lower than year ago. Livestock receipts still low, and meat packing industry quiet. Collections slower than year ago. June—Cool weather and intermittent rains continue to discourage sales. Sugar bonus checks in western Nebraska expected to stimulate buying.

17. Kansas City

APR., 81.9 MAR., 85.3 APR. 1937, 97.4

April—Percentage department store sales changes from previous April: Kansas City —6, Wichita —4, Oklahoma City +5, Tulsa +5. May—Percentage retail trade decreases from previous May: Kansas City 10, St. Joseph 10, Topeka 5, Wichita 8, Oklahoma City 10, Tulsa 7. Wholesale trade changes: Kansas City —10, Oklahoma City +10. Wheat yield best in years; prices low, but agricultural condition considered most favorable situation in region. Payrolls and production below year ago. Oil industry at a standstill. Collections slow, little change recently. June—Unseasonable weather continues to exert depressing influence on sales. Wholesale business unchanged. Some damage to crops from floods.

19. North and South Carolina

APR., 85.8 MAR., 90.2 APR. 1937, 103.5

April—Percentage department store sales changes from previous April: North Carolina +2, South Carolina —1. May—Percentage retail trade decreases from previous May: Asheville 8, Charlotte 5, Winston-Salem 12, Raleigh 5, Wilmington 10, Columbia 2, Greenville 15; Charleston up 5%. Wholesale trade decreases: Wilmington 8, Charleston 5, Winston-Salem 5. Weather good for planting; lettuce prices best in years; potato prices low. Payrolls and production steady in Charleston; below year ago elsewhere. Textiles continue quiet; some improvement in building. Collections generally slower than year ago. June—Retail volume below year ago; gains in sales of men's clothing, drugs, and groceries.

21. Florida

APR., 94.2 MAR., 100.6 APR. 1937, 120.5

April—Percentage retail trade decreases from previous April: Jacksonville 10, Miami 5. May—Percentage retail trade decreases from previous May: Jacksonville 9, Miami 10, Tampa 10. Wholesale trade decreases: Jacksonville 6, Tampa 10. Recent drought broken by rains in last of month; actual loss will not be known until next season. Payrolls and production slower than year ago in Tampa and Miami; steady in Jacksonville. Cigar industry continues active in Jacksonville; slower in Tampa, where output is 6% below year ago. Short season and low prices for citrus canners. Collections spotty, but still fairly good. June—Jacksonville trade aided by State convention of American Legion. Retail volume running behind year ago.

22. Memphis

APR., 81.7 MAR., 89.9 APR. 1937, 98.7

April—Percentage department store sales increases from previous April: Memphis 1, Fort Smith 8, Little Rock 4. May—Percentage retail trade decreases from previous May: Memphis 15, Fort Smith 10, Little Rock 10. Memphis wholesale trade off 12%. Good yield on berries and fruits; cotton acreage sharply reduced by Government regulation; increases in corn and feed crops. Payrolls and production lower than last year; slightly downward in month. Lumber output 50 to 60% below year ago; no marked change recently. Collections poorer than year ago in Memphis; fairly steady in Little Rock. June—Some seasonal pick-up in trade. Weather conditions for agriculture favorable, but cotton prices at new low level.

24. Texas

APR., 100.3 MAR., 103.1 APR. 1937, 111.7

April—Percentage department store sales changes from previous April: Dallas —4, Fort Worth +5, Houston +11, San Antonio +1. May—Percentage retail trade decreases from previous May: Dallas–Waco–Shreveport 10, Amarillo 0, El Paso 18, Houston–Galveston–Beaumont–Austin 5, San Antonio 1; Fort Worth trade up 1%. Wholesale trade decreases: Dallas 10, Houston 7, San Antonio–Shreveport 15, Fort Worth 2. Ranges in good shape; crop prospects better than last year, but prices low. Payrolls and production below year ago. Oil industry less active; stocks large. Collections steady to slower than year ago. June—Seasonal advance in buying, but volume about 10% below 1937 levels. Wholesale trade spotty.

26. Salt Lake City

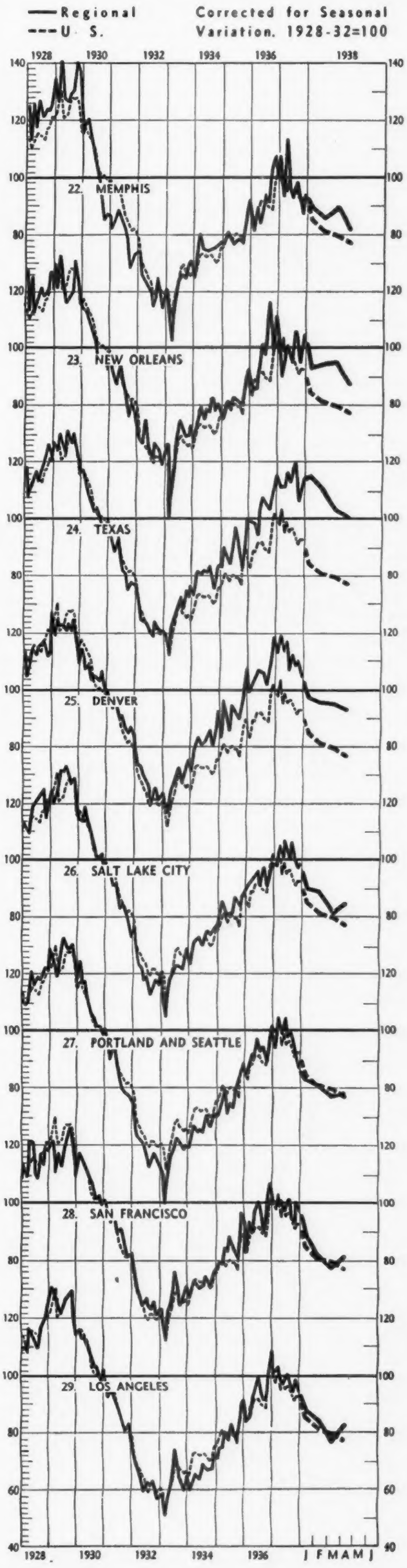
APR., 84.4 MAR., 81.2 APR. 1937, 101.3

April—Salt Lake City department store sales 16% above previous April. May—Salt Lake City retail sales 8% below previous May; volume maintained at April level by special sales during month. Wholesale trade off 15% from year ago; down 5% from April, with largest decreases in millinery, and electrical and household appliances. Bank clearings 24% below year ago. Crop and range conditions continue good; sheep men optimistic. Payrolls and production 20% below year ago. Collections slower than last year, but somewhat better than in April. June—Most activity in building operations confined to renovating and repair work. Sales of shingles, wallpaper, and paint compare favorably with last year.

28. San Francisco

APR., 82.0 MAR., 77.4 APR. 1937, 99.1

April—Percentage department store sales increases over previous April: San Francisco 2, Oakland 5. May—Percentage retail trade decreases from previous May: San Francisco 8, Oakland 10, Sacramento 8, Fresno 12. San Francisco wholesale trade off 20%. Yields about normal; crops late because of heavy Spring rains. Payrolls and production below year ago. Packing plants operating at about 60% of last year's production. Wineries' stocks heavy; sales of wine grapes expected to be small. Building up slightly. Collections better than year ago in Fresno; slow elsewhere. June—Quiet tone continued in retail trade; garment lines somewhat less sluggish than others. Seasonal improvement noted among some wholesalers.



23. New Orleans

APR., 87.6 MAR., 95.3 APR. 1937, 97.3

April—New Orleans retail trade 13% below previous April. May—Percentage retail trade decreases from previous May: New Orleans 6, Jackson 20, Meridian 10; more sales resistance apparent than in some time past. New Orleans wholesale trade off materially; retail stocks still being worked down; carry-overs large in some lines. Truck crops good, but prices low. Payrolls and production below year ago; steady to down during month. Slight pick-up in lumber orders; prices weak. Collections steady to poorer than last year. June—Retail trade about even with last year; volume aided by good shopping weather during second week. Wholesale dry goods unchanged in comparison with a year ago.

25. Denver

APR., 92.6 MAR., 96.6 APR. 1937, 113.6

April—Denver department store sales 5% below previous April. May—Percentage retail trade decreases from previous May: Denver 5, Albuquerque 15. Denver wholesale trade off 13%, bank clearings 17%. Weather very dry, threat of drought and grasshoppers. Payrolls and production below year ago; further reduction in employment in Albuquerque railroad shops. Prospects for tourist trade appear good. Collections steady in Denver; slower than last year in Albuquerque. June—Retail trade continues fairly steady; wholesale lines up as weather more favorable for Summer merchandise. Tourist inquiries and reservations exceed last Summer's; interest especially noticeable from Central West.

27. Portland and Seattle

APR., 78.0 MAR., 76.9 APR. 1937, 99.0

April—Percentage department store sales changes from previous April: Seattle +1, Tacoma —1, Spokane +1, Portalnd —4. May—Percentage retail trade decreases from previous May: Seattle 14, Spokane 5, Portland 17. Wholesale trade decreases: Seattle 15, Portland 29. Grain outlook excellent; in the Puyallup Valley labor troubles keep canneries closed and asparagus and berry crops are rotting. Payrolls and production below last year; somewhat lower than in April. Further curtailment in lumber industry. Collections generally slower than year ago, although some concerns report little change from last Fall. June—Lumber industry still at low ebb. Tourist trade showing less than normal seasonal gain.

29. Los Angeles

APR., 82.4 MAR., 76.6 APR. 1937, 103.0

April—Percentage department store sales changes from previous April: Los Angeles —3, Phoenix +8. May—Percentage retail trade decreases from previous May: Los Angeles 10, San Diego 20. Los Angeles wholesale trade off 15%. Bumper Valencia orange crop; yield prospects good for most crops, but income cut by sharp price decline. Payrolls and production below year ago; steady in month. Oil and aviation industries still active; motion picture production up slightly. Brightest spot in building; Los Angeles residential permits 19% larger than in May, 1937, and highest since April, 1927. June—Slight improvement in retail volume, largely confined to sportswear and outdoor goods. Wholesale trade quiet in most lines.

	INDUSTRIAL AND COMMERCIAL FAILURES													77-B PETITIONS §					
	Number of Failures			Liabilities *			Dun's Insolvency Index †							Total Cases			Industrial and Com'l Cases		
							Unadjusted			Adjusted ‡									
	1938	1937	1936	1938	1937	1936	1938	1937	1936	1938	1937	1936		1938	1937	1936	1938	1937	1936
Jan. . .	1,320	811	1,077	15,035	8,661	18,104	73.0	46.0	63.0	60.1	37.4	51.2		71	38	70	60	31	59
Feb. . .	1,071	721	856	13,359	9,771	14,089	70.1	48.4	56.6	60.9	42.1	48.8		94	45	82	80	35	68
Mar. . .	1,088	820	946	15,567	10,922	16,271	60.4	44.9	53.3	59.8	44.9	53.3		90	73	52	79	44	43
Apr. . .	1,116	786	830	20,106	8,906	14,157	61.9	46.4	50.4	60.1	45.5	49.4		78	52	50	59	34	38
May . .	1,053	834	832	14,559	8,364	15,375	56.0	45.4	46.4	55.4	45.4	46.4		86	61	49	72	43	44
June . .	...	670	773	....	8,191	9,177	...	39.3	44.6	...	41.4	46.9		..	52	62	..	35	46
July . .	...	618	639	....	7,766	9,904	...	36.0	38.3	...	40.0	42.6		..	59	36	..	36	32
Aug. . .	...	707	655	....	11,916	8,271	...	38.1	36.2	...	44.8	42.6		..	52	36	..	31	24
Sept. . .	...	564	586	....	8,393	9,819	...	34.0	33.4	...	40.5	39.8		..	32	33	..	21	24
Oct. . .	...	768	611	....	9,335	8,266	...	42.6	36.2	...	46.3	39.3		..	64	48	..	48	33
Nov. . .	...	786	688	....	10,078	11,532	...	49.2	44.3	...	47.8	43.4		..	66	38	..	57	30
Dec. . .	...	932	692	....	13,291	12,288	...	53.5	42.6	...	53.5	42.6		..	89	35	..	77	24
Total . .	...	9,017	9,185	....	115,594	147,253	...	43.7	45.4	...	44.2	45.5		...	683	591	...	492	465

* In thousands of dollars. † Apparent annual failures per 10,000 enterprises. ‡ For seasonal variation. § For corporate reorganization.

ANALYZING THE RECORD OF INDUSTRIAL *and* COMMERCIAL FAILURES

DECLINE IN MAY FAILURES SLIGHTLY MORE THAN SEASONAL

INDUSTRIAL and commercial failures numbered 1,053 in May with liabilities of $14,559,000. This was a decrease of 63 in number and $5,547,000 in liabilities from April, but an increase of 219 failures and $6,195,000 in liabilities over May, 1937. For four consecutive months failures have not varied greatly from 1,000 a month.

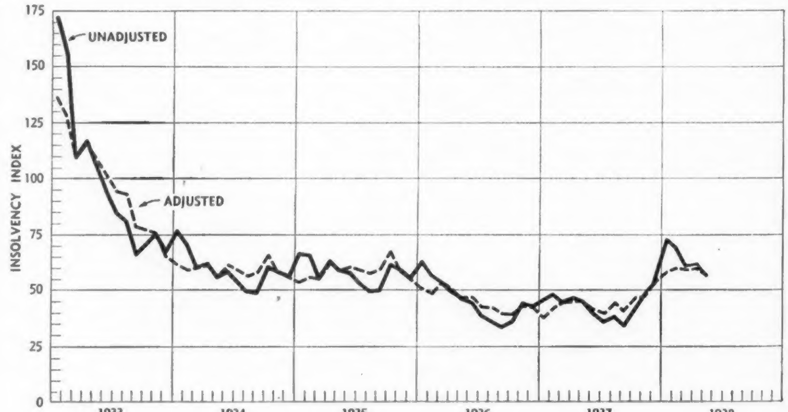
The decline in May, when adjusted for the number of working days in the month and related to a slight increase in the number of firms in business, caused the insolvency index to fall 5.9 points, from 61.9 to 56.0. A year ago it stood at 45.4. The drop was more than seasonal, with the result that the adjusted index moved down from 60.1 to 55.4. This was the first recession of any importance since the index reached its new high level at the beginning of the year.

Over a long period of years there has been a gradual change in the seasonal pattern. In the early period there was an unbroken downward movement from January through to August or September, but beginning in the late Twenties there tended to be less of a drop in the late Spring, and in recent years there has appeared an actual upturn in failures in April followed by only a slight decrease in May, bringing the level no lower than that of March.

In May liabilities were lower than in April. This was so more because April liabilities were high than because of any drastic drop in the current losses. Liabilities per failure differed little from those of the earlier months of the year.

With only a slight change in the total number of failures there was little

MONTHLY TREND OF THE INSOLVENCY INDEX



that was sensational in the monthly analysis. Total manufacturing failures were practically unchanged from last month. Slight increases in some lines were balanced by declines in others. The situation in commercial service was similar, except that a good share of the drop in liabilities occurred in this group.

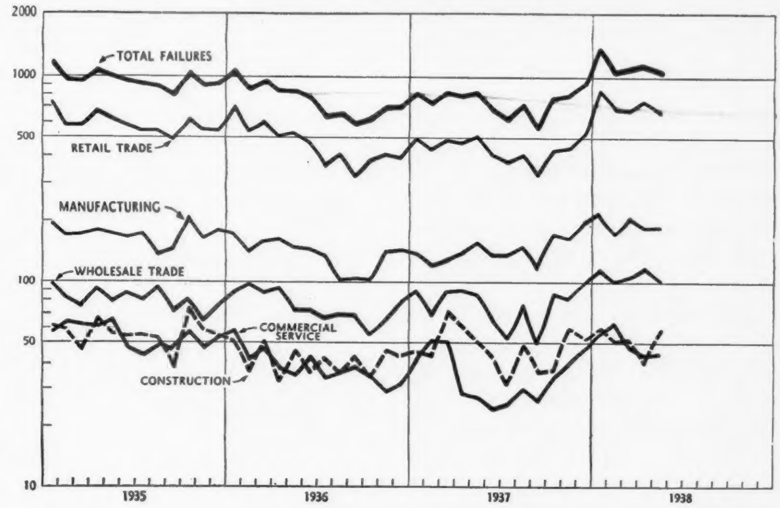
Retail trade failures were down both in number and in liabilities. The drop was most noticeable in food and drug concerns and in apparel shops, although the defaults in the last line were much more numerous than a year ago. Failures in wholesale trade were less, but losses were higher because of increased numbers of failures of good sized firms. Construction failures were sharply up.

Industry Groups	May 1938	May 1937	Per Cent Change
Manufacturing	187	153	+22
Wholesale Trade . .	102	86	+19
Retail Trade	661	518	+27
Construction	59	50	+18
Commercial Service	44	27	+63
Total	1,053	834	+26

The percentage changes over last year were not so large as in earlier months of this year because of the high level of failures in May, 1937. An unseasonable rise in failures last Spring reached its high point in May, especially in the manufacturing and trade groups.

Analysis of the figures according to the size of liabilities showed a decided

Failures by Industrial Groups



tendency toward increased failures among larger companies. While failures with liabilities under $25,000 declined from 1,002 in April to 926, those with liabilities between $25,000 and $100,000 rose from 93 to 108 and increased their proportion of the whole from 8.3 to 10.3 per cent. The very large failures were still numerous at 19 compared with 4 last year, although there were two less than in April.

Liabilities	May 1938	May 1937	Per Cent Change
Under $5,000.....	418	368	+ 14
$5,000–$25,000 ...	508	411	+ 24
$25,000–$100,000 .	108	51	+112
$100,000 and over.	19	4	+375
Total	1,053	834	+ 26

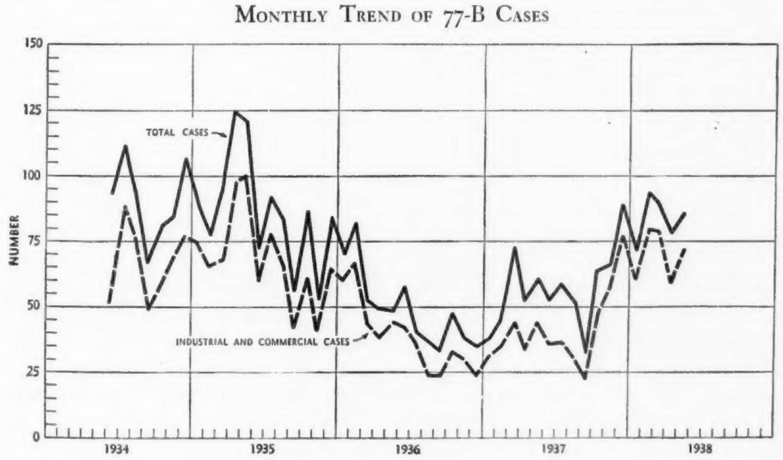
The high level of failures in May, 1937, mentioned above, had its effect also upon the comparison of failures by size. Last year's rise took place only in the smaller failures and did not affect those with liabilities above $25,000. For the larger failures, in fact, May was one of the low months of the year. The percentage changes are therefore overemphasized in both directions.

Geographically, failures were lower in most sections of the country, especially in the Atlanta and St. Louis Federal Reserve Districts, although the New York and Boston Districts had a slight upturn, and Richmond a decided increase.

Most of the month's decrease took place outside the large cities. Many of the large cities showed little or no change. A few declines were offset by an increase in New York City.

Federal Reserve District	Jan.-May 1938	Jan.-May 1937	Per Cent Change
Richmond	248	236	+ 5
Minneapolis	102	85	+ 20
New York.......	1,601	1,282	+ 25
Boston	534	377	+ 42
Kansas City......	263	185	+ 42
San Francisco	634	425	+ 49
Cleveland	416	277	+ 50
Philadelphia	337	210	+ 60
Chicago	890	550	+ 62
Dallas	118	67	+ 76
Atlanta	278	158	+ 76
St. Louis	227	120	+ 89
Total	5,648	3,972	+ 42

Monthly Trend of 77-B Cases



77-B Cases

77-B cases continued on the high level maintained since the beginning of the year. The monthly trend has been erratic, however, and a decrease in April was followed by an increase in May. Cases totalled 86 compared with 78 in April and 61 a year ago.

Strictly industrial or commercial cases numbered 72, of which 29, or 40 per cent, were retailers. The striking feature of the month's record was this large number of retailers seeking reorganization, with the purpose no doubt of remaining in control of their business, avoiding the term bankrupt, and preventing action by unfriendly creditors while arranging composition or extension. The largest number of retail cases prior to May was 26 two years ago, out of a total of 100 cases.

77-B Applications by Main Divisions of Industry—May 1938 and 1937

	May 1938	April 1938	May 1937
Manufacturing	31	27	15
Wholesale Trade	7	8	11
Retail Trade	29	14	11
Construction	1	1	..
Commercial Service	4	9	6
Others (*)	14	19	18
Total United States	86	78	61

(*) Not included in tabulation of commercial failures, such as real estate and investment companies.

Analysis of these retail cases shows that 15 were in clothing and accessory lines, almost exclusively in New York City. Five had only $5,000 or less invested in the business, 7 had between $6,000 and $10,000, and 9 between $11,000 and $25,000, or 72 per cent with $25,000 or less capital. Not one of these had indebtedness other than trade accounts or loans. Of the 29 retailers, only one had any secured indebtedness.

Twenty-three of these retail cases had been incorporated since 1930. Four of these were successions, indicating probable financial difficulties in the past and one had already been "reorganized" under 77-B, making a 20 per cent settlement in 1936.

Note: In Dun's Statistical Review there are published more detailed failure statistics by States, large cities, industrial divisions, and size of liabilities.

Failures by Divisions of Industry—May, 1938 and 1937

(Liabilities in thousands of dollars)

	Number			Liabilities		
	May 1938	April 1938	May 1937	May 1938	April 1938	May 1937
Total United States	1,053	1,116	834	14,559	20,106	8,364
Manufacturing (total)	187	184	153	4,449	4,383	2,465
Foods	36	30	37	659	727	588
Textiles	45	45	39	1,004	1,235	721
Forest Products	13	27	16	231	927	313
Paper, Printing and Publishing	18	10	14	323	63	157
Chemicals and Drugs	8	10	3	128	123	14
Fuels	2	4	5	67	143	56
Leather and Leather Products	9	1	5	323	14	146
Stone, Clay, Glass and Products	7	8	7	163	211	131
Iron and Steel	13	11	6	149	211	56
Machinery	6	7	5	458	80	98
Transportation Equipment	3	3	3	192	182	81
All Other	27	28	13	752	467	104
Wholesale Trade (total)	102	116	86	2,108	1,959	1,288
Farm Products, Foods, Groceries	35	37	34	697	486	421
Clothing and Furnishings	6	10	6	91	86	84
Dry Goods and Textiles	2	7	3	7	337	23
Lumber, Building Materials, Hardware	6	9	4	78	215	57
Chemicals and Drugs	3	5	4	52	52	57
Fuels	5	1	1	138	11	13
Automotive Products	6	9	7	87	202	145
Supply Houses	10	12	5	123	127	61
All Other	29	26	22	835	443	427
Retail Trade (total)	661	735	518	6,231	7,140	3,568
Foods	174	197	174	1,177	1,163	894
Farm Supplies, General Stores	18	26	28	183	250	211
General Merchandise	34	38	21	307	275	217
Apparel	156	175	92	989	1,460	578
Furniture, Household Furnishings	66	53	24	749	492	207
Lumber, Building Materials, Hardware	36	40	24	502	311	369
Automotive Products	65	53	43	1,331	914	272
Restaurants	47	52	48	477	1,493	391
Drugs	29	44	36	209	364	251
All Other	36	57	28	308	418	178
Construction (total)	59	39	50	742	1,175	550
General Contractors	5	5	9	87	41	93
Carpenters and Builders	21	8	9	350	405	140
Building Sub-contractors	33	23	32	305	343	317
Other Contractors	..	3	..	..	386	..
Commercial Service (total)	44	42	27	1,028	5,449	493
Cleaners and Dyers, Tailors	14	9	6	142	54	57
Haulage, Buses, Taxis, etc.	10	14	8	534	115	225
Hotels	3	2	..	76	5,003	..
Laundries	5	3	1	110	24	35
Undertakers	4	2	5	81	9	44
All Other	8	12	7	85	244	132

Canadian Failures

After a most unusual dip in April, Canadian failures returned to the March level. Numbers rose from 47 in April to 93 in May, with liabilities which increased from $502,000 to $1,035,000. A year ago failures numbered 80 with only $351,000 liabilities.

The decrease last month appeared to be general throughout the country and in all branches of business. So in May the increase was general and not confined to any section or industry group.

The increase in numbers over May, 1937, took place only in the Province of Quebec and the increase in liabilities principally in Quebec and Ontario.

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "Dun's Statistical Review"

Building Permit Values—215 Cities

Geographical Groups:	May 1938	May 1937	Change P. Ct.	April 1938	Change P. Ct.
New England	$4,980,214	$6,627,613	— 24.9	$5,264,828	— 5.4
Middle Atlantic	21,550,076	28,911,287	— 25.5	23,801,244	— 9.6
South Atlantic	8,152,127	11,997,505	— 32.0	8,784,316	— 7.2
East Central	14,760,033	17,783,272	— 17.0	14,324,190	+ 3.0
South Central	7,602,989	10,046,409	— 24.3	11,406,227	— 33.4
West Central	3,872,401	4,843,709	— 20.0	3,912,208	— 1.0
Mountain	2,251,093	2,604,894	— 13.6	1,682,431	+ 33.8
Pacific	14,486,736	15,556,265	— 6.9	15,666,921	— 7.5
Total U. S.	$77,655,669	$98,370,954	— 21.1	$84,842,365	— 8.5
New York	$13,977,101	$19,346,563	— 27.8	$16,197,699	— 13.7
Outside New York	$63,678,568	$79,024,391	— 19.4	$68,644,666	— 7.2

Bank Clearings—22 U. S. Cities

(Millions of dollars)

	Monthly			Daily Average		
	1938	1937	1936	1938	1937	1936
January	21,798	27,226	25,262	871.9	1,089.0	971.6
February	17,583	23,720	22,065	799.2	1,078.1	959.3
March	22,822	29,412	26,610	845.3	1,089.3	1,023.4
April	21,667	26,086	24,711	833.4	1,003.3	950.4
May	20,169	23,951	22,473	806.8	958.0	898.9
June	.....	25,903	26,148	.....	996.3	1,005.7
July	.....	26,015	24,766	.....	1,000.6	952.5
August	.....	22,260	21,269	.....	856.2	818.0
September	.....	24,076	23,927	.....	963.0	957.1
October	.....	24,668	25,852	.....	986.7	994.3
November	.....	21,796	24,554	.....	947.6	1,116.1
December	.....	25,805	31,153	.....	992.5	1,198.2
Total	.....	300,918	298,790	.....	996.7	987.1

Bank Clearings for Individual Cities (000 omitted)

	May 1938	May 1937	Change P. Ct.	April 1938
Boston	$805,178	$981,764	— 18.0	$851,814
Philadelphia	1,443,000	1,655,000	— 12.7	1,460,000
Buffalo	128,435	160,434	— 19.9	129,354
Pittsburgh	437,648	629,491	— 30.5	452,979
Cleveland	370,202	430,914	— 14.1	357,063
Cincinnati	227,547	273,394	— 16.8	230,772
Baltimore	257,223	294,637	— 12.7	270,498
Richmond	137,681	154,619	— 11.0	141,508
Atlanta	203,400	241,300	— 15.7	211,200
New Orleans	140,673	153,303	— 8.2	138,305
Chicago	1,150,061	1,382,282	— 16.8	1,173,652
Detroit	325,090	519,241	— 37.4	336,227
St. Louis	339,321	398,570	— 14.9	335,226
Louisville	120,934	150,958	— 19.9	127,084
Minneapolis	255,921	286,043	— 10.5	266,163
Kansas City	338,338	418,172	— 19.1	345,049
Omaha	118,318	127,061	— 6.9	111,782
Dallas	185,827	203,410	— 8.6	201,879
San Francisco	557,097	623,255	— 10.6	570,180
Portland, Ore.	112,692	132,975	— 15.3	118,130
Seattle	131,162	166,858	— 21.4	138,402
Total 21 Cities	$7,785,748	$9,383,681	— 17.0	$7,967,267
New York	$12,383,151	$14,567,422	— 15.0	$13,700,223
Total 22 Cities	$20,168,899	$23,951,103	— 15.8	$21,667,490

Dun & Bradstreet Weekly Food Price Index

The index represents the sum total of the wholesale price per pound of 31 commodities in general use:

Weeks:	1938	1937	1936	1935
June 21	$2.40	$2.81	$2.65	$2.56
June 14	2.37	2.82	2.62	2.58
June 7	2.36	2.83	2.60	2.59
May 31	2.34	2.85	2.54	2.60
May 24	2.35	2.85	2.55	2.60
May 17	2.35	2.86	2.52	2.61
May 10	2.34	2.84	2.54	2.61
May 3	2.36	2.82	2.58	2.62

	High	Low
1938	$2.53 Jan. 4	$2.34 May 10
1937	$3.01 Mar. 16	$2.56 Dec. 28
1936	$2.94 Dec. 29	$2.52 May 19

Dun & Bradstreet Daily Weighted Price Index 30 Basic Commodities

(1930-1932 = 100)

	1938			
	June	May	April	Mar.
1	102.89	†	109.70	113.55
2	102.43	107.06	109.80	113.74
3	102.98	106.98	†	113.89
4	*	107.15	108.89	113.45
5	†	106.89	108.39	113.24
6	102.84	107.12	108.56	† ....
7	103.16	107.26	108.66	113.24
8	103.22	†	109.38	113.03
9	103.92	107.13	109.24	112.40
10	104.23	107.01	†	112.39
11	*	107.59	108.50	112.57
12	†	107.65	108.43	112.54
13	105.03	107.90	108.61	† ....
14	105.32	107.76	109.22	111.85
15	105.44	†	*	111.72
16	105.48	107.18	109.27	112.45
17	105.49	106.50	†	112.19
18	*	107.06	109.28	111.76
19	†	106.80	108.72	111.82
20	105.50	106.35	108.66	† ....
21	105.55	106.21	109.08	111.23
22	105.64	†	108.80	110.93
23	105.42	105.73	108.93	111.09
24	......	105.20	†	111.00
25	......	104.57	108.36	110.77
26	......	104.28	107.95	110.70
27	......	104.11	108.00	† ....
28	......	*	107.94	110.54
29	......	†	107.45	110.30
30	......	*	107.39	109.76
31		102.48		109.48

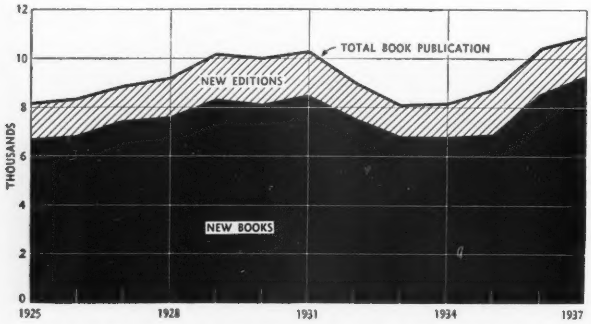
† Sunday. * Markets closed.

	High	Low
1938	117.06 Jan. 10	102.43 June 2
1937	158.26 Apr. 5	114.83 Dec. 30
1936	142.65 Dec. 31	115.13 May 27

THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD

Book Publication



NUMBER OF BOOKS PUBLISHED—1925-1937—*Publishers' Weekly—Reports of more than 700 publishers, checked against book reviews and notices are used as the basis of these figures. It is estimated that 95 per cent of American-manufactured books are by American authors.*

LAST YEAR the American public was offered 9,273 new books and 1,639 new editions of old ones, according to compilations by *Publishers' Weekly*. Merely to keep up with the new titles, the bookworm would have had to devour at the rate of 773 per month, a little more than one every hour. And on at least 85 per cent of these, there was a strong chance that chewing would not have been easy: for every one novel, six non-fiction were placed on the market.

Sensitive to business conditions, book publication has, besides cyclical swings, a well-defined seasonal variation. Christmas dominates the year, October and November output alone amounting to one-fifth of the year's total. It is estimated by the trade that 21 per cent of the retail book sales occur in December, that, in fact, 40 per cent of the book business is in buying for gift purposes.

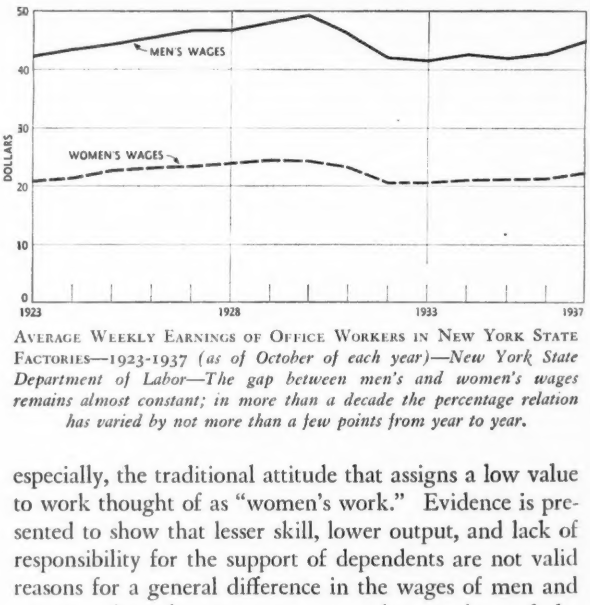
Men's and Women's Wages

A DETAILED STUDY by the U. S. Department of Labor of "Differences in the Earnings of Women and Men" reveals little narrowing during recent years of the traditional gap between the wage levels of the two sexes. Because of variations in the type of work performed and the number of hours worked, most interesting for purposes of comparison are data showing the rates of pay, on an hourly basis, for men and women doing essentially identical work.

A survey of Chicago clerical workers (Winter, 1931) shows that women's wages averaged no more than 73 per cent of men's even in similar occupations: only in filing and bookkeeping were they as high, in correspondent and supervisory positions they were more than 30 per cent lower.

Types of work in manufacturing are less homogeneous and more difficult to classify because the material worked on, as well as the processes by which a product is made, may vary widely. Selecting only operations which are fairly uniform in requirements, the Department reports: in the men's clothing industry (1932), men were always paid more than 56 cents an hour, while women never received so much as 41 cents, or so much as 67 per cent of men's hourly average; in folding-paper-box plants (August, 1935), men's lowest hourly earnings were above women's highest in any occupation, average wages for women being about 80 per cent of men's; in the jewelry industry (December, 1936) they were only 71 per cent as large; in the shoe industry (1932) 64 per cent as large.

Among the factors responsible for this lower level of women's wages, the study mentions: lack of strong labor organization among women, oversupply of labor, and,

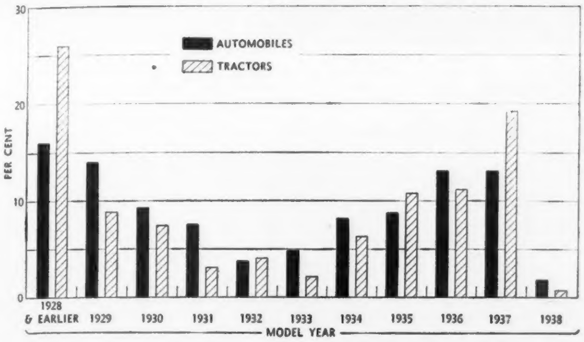


AVERAGE WEEKLY EARNINGS OF OFFICE WORKERS IN NEW YORK STATE FACTORIES—1923-1937 *(as of October of each year)—New York State Department of Labor—The gap between men's and women's wages remains almost constant; in more than a decade the percentage relation has varied by not more than a few points from year to year.*

especially, the traditional attitude that assigns a low value to work thought of as "women's work." Evidence is presented to show that lesser skill, lower output, and lack of responsibility for the support of dependents are not valid reasons for a general difference in the wages of men and women: these factors vary among the members of the same sex, but not in a broad way between the two sexes.

Jaloppies

POTENTIAL replacement demand for automobiles and farm equipment is illustrated by a recent survey made by the Bureau of the Census in co-operation with the U. S. Department of Agriculture. Covering 3,000 families in selected counties of 40 States, the study shows the percentage that each year's model formed of the total automobiles, trucks, and tractors owned by these farms. It



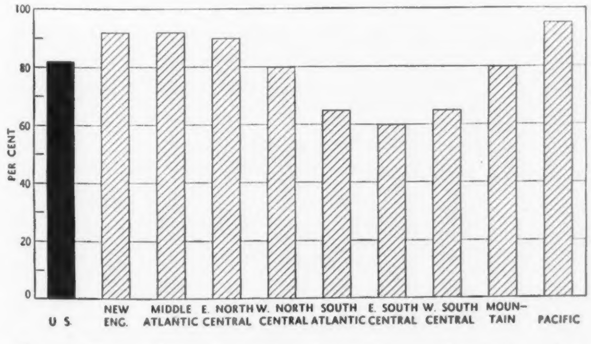
Percentage of Farm Automobiles and Tractors of Each Year's Model—*January 1, 1938—U. S. Bureau of the Census and U. S. Department of Agriculture—One out of every six cars and one out of every four tractors used on farms were found to be ten years old or older.*

is pointed out that the limited sample makes it impossible to produce thoroughly accurate estimates, but that it may be considered sufficient to indicate the general situation.

According to these findings, one-sixth of farm cars are ten years old or over; more than one-half are of more ancient vintage than 1933. Although purchasing of 1935, 1936, and 1937 models was heavy, farm equipment also presents a striking picture of superannuation: one-fourth of all the tractors and trucks owned by these farms being ten years old or older.

Radio Ownership

Of the 32,641,000 families in the United States, 26,666,-500 or 82 per cent owned at least one radio at the beginning of 1938, according to the Joint Committee on Radio Research. Not yet a crooner in every living-room, but apparently closer to realization than a car in every garage, or a mechanical refrigerator in every kitchen: only 54 per cent of the families sampled by the U.S. Department of Commerce owned automobiles and only 19 per cent mechanical refrigerators (see Dec., 1937 and Jan., 1938 Dun's Review).



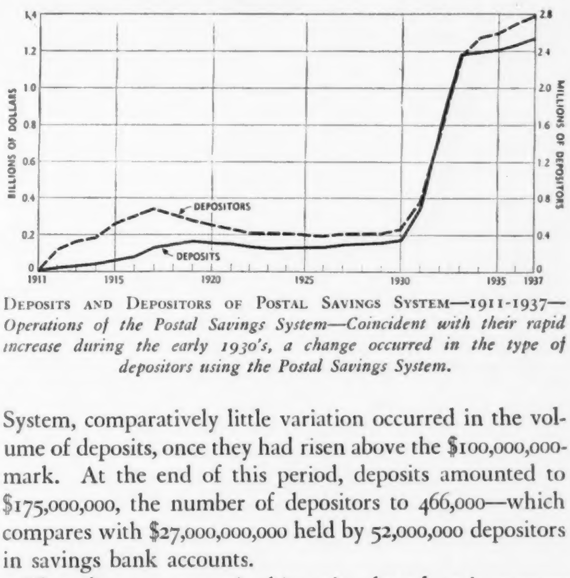
Families Owning Radio Sets in the United States—*January 1, 1938—Joint Committee on Radio Research—Radios were owned by 82 per cent of all the families: by only 60 to 65 per cent of those in the South, but by more than 90 per cent of those in the Northeast and on the West Coast.*

The Committee's figures on geographical distribution of "radio families" are interesting. Contrasted with 95 per cent ownership among families of the Pacific States, only 60 to 65 per cent had radios in the South. The difference was broadest among rural families: the proportion of ownership varying from 51 per cent of the rural families in the East South Central States to 96 per cent of those in the Pacific region. In no section was there more than 20 per cent of urban families without radios.

Postal Savings

Originally established in 1911 as a means of fostering thrift among the poor and attracting the savings of immigrants awed by an elaborate bank structure, the Postal Savings System now fulfills, in the main, a different function, serving chiefly those communities having no bank or no insured bank. Louise Sissman, writing in the *Journal of the American Statistical Association* (December, 1936), analyzes the changing character of deposits and depositors.

During the first twenty years of the operation of the



Deposits and Depositors of Postal Savings System—1911-1937—*Operations of the Postal Savings System—Coincident with their rapid increase during the early 1930's, a change occurred in the type of depositors using the Postal Savings System.*

System, comparatively little variation occurred in the volume of deposits, once they had risen above the $100,000,000-mark. At the end of this period, deposits amounted to $175,000,000, the number of depositors to 466,000—which compares with $27,000,000,000 held by 52,000,000 depositors in savings bank accounts.

Though not apparent in this national total, an important development was occurring within the System during the last decade of the 1911-1930 era. This was manifested in a change in the geographical distribution of the savings: a shift from the larger cities, where the foreign population tends to be concentrated, to the West and rural communities. Miss Sissman points to the link between the general banking situation and this trend: the bank suspensions which began to sweep the country in the early 1920's were most severe in the West and in rural sections; they reached their climax in the period 1930-1933, during which postal savings skyrocketed; they were halted in 1933, when there also occurred a cessation of the abrupt growth in postal deposits.

HERE AND THERE IN BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

HIGHBALL-LEVEL ROUTES—*Simultaneous maiden-trips by New York Central's new Twentieth Century and Pennsylvania's new Broadway Limited established 16-hour luxury rail travel between New York and Chicago. Above, the Century's rust-and-gray club lounge car.*

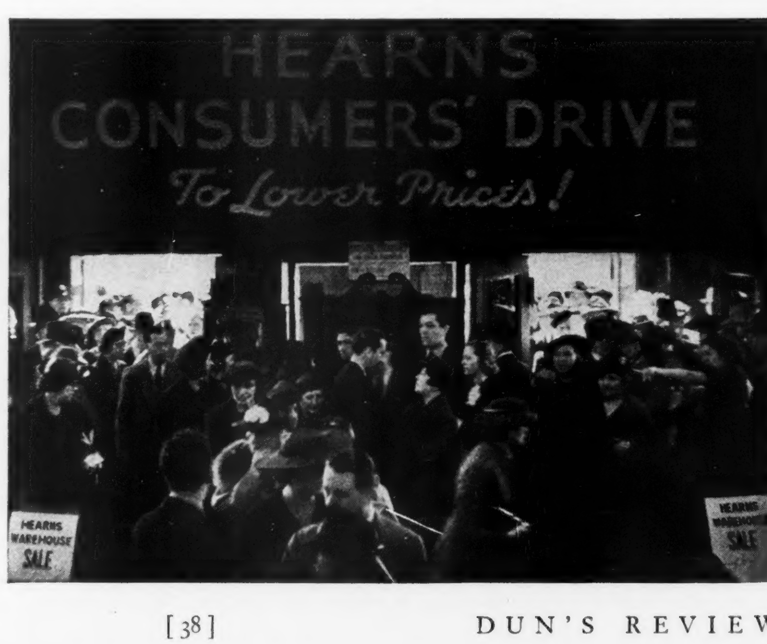
ONCE upon a time the Wales Advertising Company, New York, prepared its international survey of travel principally for foreign governments. But weather reports on the gentle rain of tourist dollars have turned out to be of considerable interest to lesser areas as well, and to hotels, railroads, and steamship lines. So now the fourth, 1938, edition of *The Tourist Dollar* appears as a revised, more comprehensive report on who spends how much where, and how the respective *wheres* attract or sustain their tourist volume.

The Wales report should dispel any thoughts that the tourist industry is an economic sideshow. Tourists, foreign and domestic, spent more than $5,000,000,000 in the United States last year. It is not news that tourist revenue supports Bermuda almost singlehanded, but in Canada, too, it is greater than the value of all manufactures combined. In Florida and New England no other industry is greater, not excepting citrus fruits or textiles. In southern California, Maine, Michigan, and Wisconsin it stands second. In addition to commercial revenue from tourists within its borders, the United States collects a head tax of from three to five dollars from every American steamship passenger leaving to tour in other countries, unless he goes to one on this continent or the Philippines.

In 69 full 8½ x 11-inch pages, *The Tourist Dollar* presents much more than bare outlines, region by region, of how many fish were caught with what sort of bait. One breakdown, for example, shows that in a certain State where tourism is the ranking industry tradesmen estimate that these percentages of their total business are due to tourist dollars: florists, 25; candy, 30; drugs, 30; restaurant, 35; garage, 35; radio, 40; clothing, 50; printer, 50; hardware, 65; and banks (commercial deposits), 35 to 50.

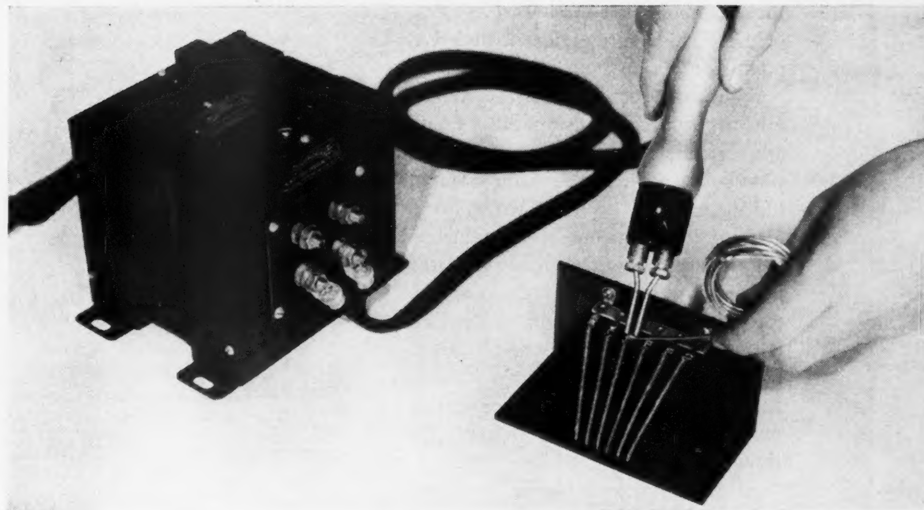
Summer School—Allan H. Mogenson first became interested in motion study and industrial uses for the motion picture camera in 1924. There seemed to him great possibilities for further elimination of wasted time and effort in industry. Apparently there were. In the last six years alone, in conducting training programs in work simplification, he has held meetings in regular schedule with 5,000 or more foremen, supervisors, time-study engineers, and department heads. Among the concerns for which he has conducted programs are E. I. duPont de Nemours, Remington Arms, Eagle Pencil, Westinghouse, Dictaphone, Canadian Industries, Ltd., and Central Hanover Bank & Trust.

More and more he has come to feel that the great obstacle to methods improvement lies not in physical difficulties, but in mental attitudes. In applying and teaching his techniques for reducing waste and cutting costs, Mogenson places much emphasis on enlisting the co-operation of foremen and rank-and-file employees. Executives who attend his second "Work Simplification Conference" at Lake



SALE—*Saying in effect "We can get it for you wholesale," Hearn's, New York department store, last month held a furniture sale at its warehouse. Customers were transported from store to sale in special buses.*

SHORT HEAT—*Shorting the piece to be soldered across two prongs, the new soldering tool at the left heats it with heavy current from the transformer. Thus current is drawn only when the tool is in actual use.*



Placid, N. Y., this Summer will find the betterment of morale an important topic.

An extensive six-weeks course in scientific management, the Conference will begin on July 11, end August 20. Up to 25 non-competing companies will send one man apiece. Each will bring with him an actual problem from his company. Mornings and evenings will be devoted to classes, laboratory work, and learning the applications of motion pictures. The aim is that each man become equipped to set up and run a work simplification program in his own plant when he returns.

Short—Because it draws current only during the few seconds when it is actually in use, the recently developed "Aurora" soldering equipment is so economical that it should soon pay for itself. That at any rate is the way the Kinsford Specialty Company, at 3911 Powelton Avenue, Philadelphia, say their customers feel about it.

A glance at the photograph above will reveal how it is that the Aurora manages to be so miserly. The piece to be soldered is simply shorted across the two tips of the soldering tool; the piece heats; the solder melts; the job is done. When there's no soldering there's no shorting, and no current flows. The transformer supplies variable voltages, making possible a wide range of adjustments for various types of work.

Other desirable features are incidental to the new principle involved. The Aurora requires no pre-heating or dressing of tips, and it has no element to burn out.

Gift—Fortunately or not, more Fathers knew when Father's Day was this year than ever before. Member stores of the National Retail Dry Goods Association in virtually every city and town in the country participated in an aggressive effort to let Father know that something was afoot, and 89 per cent of the stores sampled in an NRDGA poll reported more intensive promotion than for last year's event. Thirty per cent of them put it up to the whole family, Father included, through the hearthstone medium of radio.

Brightest spot in the poll's findings was the section estimating which men's wear items were pushed the hardest; ties ran fourth, after handkerchiefs, hats, and hosiery.

From city to city promotional reflexes responded in diverse ways. June 19 was notable in Cincinnati for Father's free admission to the ballpark and the zoo. New Orleans merchants ran a contest for the most popular Father in the city. Without beating around the bush, Louisville stores awarded a prize to the Father with the most children. To keep the Old Gentleman on the payroll several stores, here and there, proposed buying him a new pair of glasses, and one in upper New York State suggested a shiny new farm implement.

Geography—Already known for their visible record equipment, designed primarily to make the day go faster for clerical workers, the Acme Card System Company, Chicago, has turned its attention to easing the burdens of department heads. Still holding to the "visible" principle, their new device is an atlas.

No semi-decorative wall-map for would-be Napoleons of commerce, the Acme Visible Atlas burrows into the minutæ of State and county data. The top cover opens out to the left, and on the inside, to be sure, is a map of the entire United States. But from there on the going is straight brass-tack geography. Each page is a State map sufficiently detailed to show county boundaries, county seats, and all towns of 250 and over. Also in view is the back of the previous map, carrying an alphabetical list of all counties and towns in the visible State, with populations and keys to positions.

Acme thinks that there will be more than one sold to a company. In addition to the sales manager, who would want it to credit orders, visualize markets, and compare distribution with coverage by salesmen, the atlas might also interest traffic, order, and sales promotion department heads.

Ways and Means—The longheads at the Newell-Emmet Company, New York advertising agency, know that if there is any single characteristic which is common to all executives important enough to represent potential Newell-Emmet accounts it is an eagerness for ideas which they can apply in some phase of their own business.

With this in mind the agency has made its latest booklet, *Current Production,* a stimulating piece which should find its own level. A review of recent work done at the 40 East 34th Street offices, displays advertisements placed for accounts and in brief captions tells how the basic campaign ideas were developed. More succinctly than most advertising handbooks it explains how common sense and principles of psychology are put to work.

For example, most ad-readers know more life insurance salesmen than life insurance facts. Advertisements for

the Equitable Life Assurance Society of the U. S. have therefore included a popular question box.

Competing for attention on a magazine page with a number of other small ads, the Oralgene piece, shown in the photograph at the right, made a strong bid for visibility by using white space generously and tilting its text panel.

Evidence of a well-defined program, a series of public relations insertions of the Bell Telephone System for 18 years have interpreted the System in terms of interest to college undergraduates. Many of them now leaders, yesterday's business men of tomorrow generally respect Bell.

Also waiting to be mulled over are ways to humanize a bank, pull coupons, put new life in trade-marks, and reach mass markets with humor.

ATTENTION—*Newell-Emmet's ad for Oralgene, the agency explains, drew attention from other small ads by using white space and a tilted text panel.*

Birthday Present—Despite the title of this department, most items occur *there* rather than *here*. Not so this incident.

One of our editors was once known to the furniture trade as the executive secretary of its Code Authority under the NRA. Last month, almost exactly three years after the Blue Eagle passed on, he received a letter forwarded from Washington and addressed to him as the dignitary which he once was. It had not been lost in the mails; the postmark was for two days before its arrival. The sender was a furniture manufacturer in the Midwest.

But that's not all. Three years ago and more, the furniture Authority operated a scheme whereby members of the industry might file new designs (at one dollar each) and thereby strengthen their rights to protection under the common law. It was to make use of this service that the manufacturer sent on his letter. And having a number of new designs to file, he enclosed a check for $15.

Contest—Although such buildings as the White House, the United States Capitol, the New York Public Library, and Boston's Trinity Church were constructed from designs selected in competitions, the American Institute of Architects now ". . . condemns competitions. It favors the direct selection of architects for the design of public buildings." Among its reasons are the cost of competitions to architects, the difficulty of choosing fair juries.

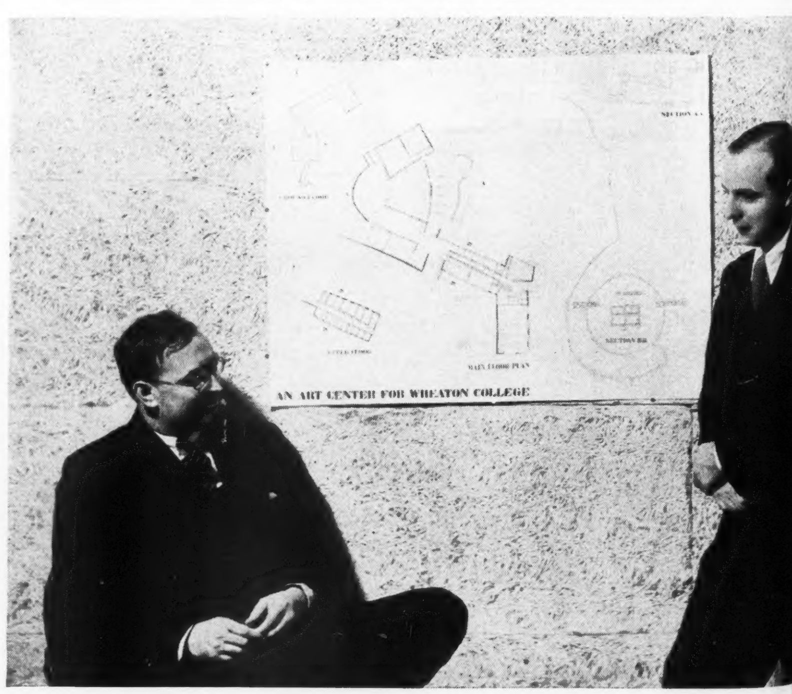
But this is not to say that there is harmony on this point throughout the national profession. There is, for example, the National Competitions Committee for Architecture and the Allied Arts (some of whose members are also in the AIA) which in the last session of Congress sponsored a bill providing for anonymous competitions to determine how and by whom public buildings shall be laid out. To them it seems that competitions are the only means to break the alleged monopoly held by architects with fortunate social or political connections.

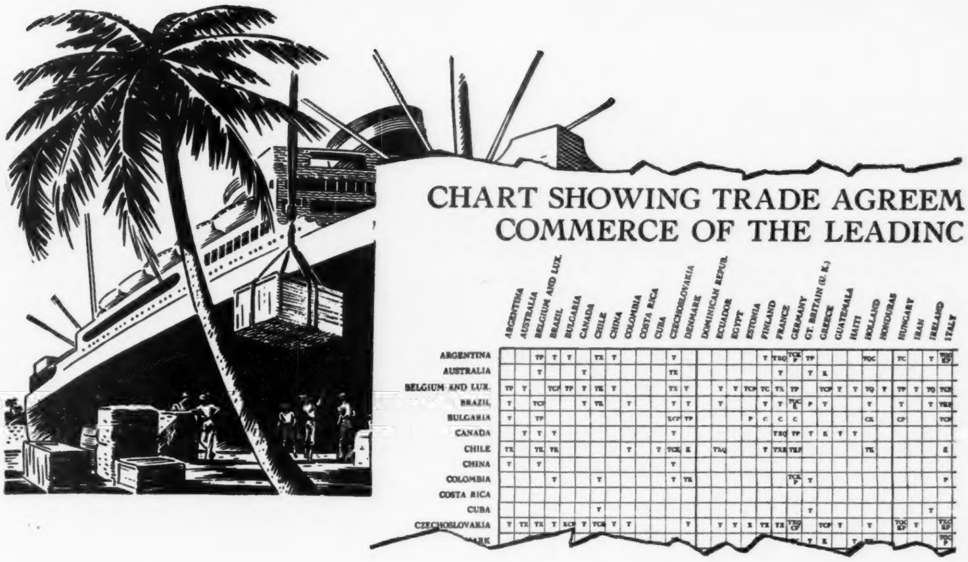
Whether or not they approved of competitions in principle, individuals and firms submitted 253 unsigned designs late in May in a contest conducted by the Museum of Modern Art and *Architectural Forum*. The subject was an art center for Wheaton College, Norton, Mass.

When jury-room smoke had cleared ten days later the award went to two young draughtsmen in New York offices: Richard M. Bennett, in the office of Edward Stone, and Caleb Hornbostel, with Norman Bel Geddes.

Bennett, 31, who began on neon signs, also lectures now at Vassar and Columbia. Hornbostel, 34, is the son of Henry Hornbostel, who has won more architectural competitions than anyone else in this country. Easy to win competitions, he told Hornbostel, Jr.: "All you have to do is to put in more columns than anybody else." The prize winning design for Wheaton, however, has not a single column.

CONTEST—*Young architects Richard M. Bennett, left, and Caleb Hornbostel diffidently contemplate their design for a substantial addition to the buildings account in Wheaton College's balance sheet. The design was chosen from a total of 253 submitted in a competition conducted by the Museum of Modern Art and "Architectural Forum."*





World Peace through World Trade

"No country today possesses within its own frontiers sufficient resources, in terms of either natural endowment or human wisdom and skill, for its population to be prosperous and contented without a large measure of economic and cultural intercourse with the rest of the world."

Secretary of State CORDELL HULL

THIS country is dedicated to world peace through world trade. Pursuing this objective, fourteen reciprocal trade agreements were operative during all of 1937, two more came into being during the year, and another became effective early in 1938.

However, a large part of world commerce today flows through a labyrinth of diverse arrangements—some designed to promote buying and selling, others to restrict it; some created in the cause of world peace, others to make nations independent of their neighbors.

Now more than ever before, experienced and adequate banking facilities are indispensable to American business men conducting overseas trade. In this respect, the assistance of the Chase National Bank is of material aid to those who are helping our population to maintain "economic and cultural intercourse with the rest of the world."

A folder entitled "INTERNATIONAL TRADE AGREEMENTS"

containing in chart form a convenient reference to the hundreds of agreements under which a large part of world commerce is conducted, has been prepared by this bank and is available to business executives. Officers of the Foreign Department will be pleased to furnish available information on specific agreements.

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

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THE BUSINESS BOOKSHELF

BUSINESS . . . FINANCE . . . ECONOMICS . . . GOVERNMENT

FROM Baltimore in 1867 there came to an uncertain St. Louis a boy of 17 for whom algebra was dull and Latin meaningless. In 1932 there died in an uncertain Washington an educator whose goal it had been that through him a troubled nation might find a solution to its economic ills. Both were Robert S. Brookings, whose life Hermann Hagedorn has set down in *Brookings* (Macmillan, $3.50). It is the life, too, of a man who sometime in that 52-year interval had been drummer, merchant, city-planner, patron of art, and member of the War Industries Board. He is best known today, perhaps, as founder of the three institutions for economic and government research which eventually were combined in the Brookings Institution.

In St. Louis in 1867 Brookings cast his lot with the woodenware jobbing house of Cupples & Marston. The burgeoning West, from the Mississippi to the Pacific, was his to sell and to exploit. Very soon he became a member of the firm. Jokingly he used to say: "I went to work for Samuel Cupples at 17. Four years later Mr. Cupples became my partner."

Merchant, then cosmopolite, he returned to America and to St. Louis to build Cupples Station, whose facilities established new methods for handling freight in the larger cities of this country. More than a source of pride for his own city, Cupples Station was the forerunner of the Bush Terminals in New York, the Pittsburgh Terminal Warehouses, and similar projects in Chicago.

Then Patron

On the heels of the city-planner followed the patron of education. Washington University, in St. Louis, was then in the doldrums, needing new funds badly and business acumen even more. The latter Brookings had in abundance, and generous with his own money, he found it possible to solicit more. The University's fortunes soon improved. But more important for the future, the new president of the Corporation began to know the exhilaration which could come from carrying one's aspirations into other lives.

And so when he left the War Industries Board 20 years later, certain that waste in government was a major national problem, he turned his efforts to rescuing the Institute of Government Research. Established in 1916 to create sentiment for a national budget and reorganization of the executive departments, the Institute had been forced to hold its program in abeyance during the war.

When the first Institute had been reestablished, Brookings turned to another problem. Anyone might build his theories of economic activity, but who had the facts? To be sure, they were buried away in pamphlets and monographs, but how many agencies were there to digest them and present them in a way which men like himself could understand? Thus a second Institute, for economic research, came into being. Later it was followed by a third, to train men who were going into government service in the use of the other institutes' tools.

These were the three which in time were combined in the Brookings Institution. In telling the story of its founder's life, Mr. Hagedorn has held firmly to his concept that it should be one of the continual growth of a restless man.

CURRENT READING

BOOK	AUTHOR	SUMMARY
MEN AND IRON, by Edward Hungerford. Thomas Y. Crowell Co., 414 pages, $3.75.	For some years associated with the Wells Fargo Express Company and later the Baltimore & Ohio Railroad, he is now an executive of the New York Central Railroad.	A history of the New York Central Railroad, from the first 30-mile-an-hour *DeWitt Clinton*, through the many consolidations and mechanical improvements, down to the present-day, streamlined *Twentieth Century Limited*.
WHAT PEOPLE WANT FROM BUSINESS, by J. David Houser. McGraw-Hill, 254 pages, $2.50.	Sometime fellow, Jacob Wertheim Foundation for the Betterment of Industrial Relationships, Harvard University; president, The Houser Associates.	Presents a picture of business from the standpoint of the persons who by their labor and patronage make it possible. Labor and consumer relations are defined as organizational problems to be solved by placing added emphasis on satisfying psychic wants.
SQUARE-RIGGERS ON SCHEDULE, by Robert Greenhalgh Albion. Princeton University Press, 371 pages, $3.50.	Professor of history, Princeton University; author of a forthcoming study of the history of the Port of New York, of which this volume will be a part.	The story of the square-rigged packets, which from 1818 to 1838 conveyed most of the news, passengers, and fine freight between Europe and America, and demonstrated the value of the line arrangement with scheduled sailings.
THE CULTURE OF CITIES, by Lewis Mumford. Harcourt, Brace & Co., 598 pages, $5.	Contributor to *Whither Mankind?* and author of *Living Philosophies, The Brown Decades, American Taste,* and *Technics and Civilization.*	Taking the city as the foremost expression of the forces in any culture, Mr. Mumford examines the cities of several successive periods so that in them he may try to discern the trend of man's organized life.
BROOKINGS: A BIOGRAPHY, by Hermann Hagedorn. Macmillan, 315 pages, $3.50.	A biographer whose works include *Roosevelt in the Bad Lands, Leonard Wood,* and *The Magnate.*	The life of Robert Brookings, who became a merchant at 21, retired at 46 to devote his life to public service, and founded the Institution which bears his name. Reviewed in this issue.
A RAW COMMODITY REVOLUTION, by Melvin T. Copeland. Bureau of Business Research, Harvard University, 97 pages, $1.25.	Professor of marketing, Graduate School of Business, Harvard; author of *The Cotton Manufacturing Industry in the United States* and *Principles of Merchandising.*	Discusses the scope and nature of the changes which war and post-war influences have worked in the prices of 19 raw commodities and summarizes some of the attempts to combat these changes through control measures.

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PRICE CONTROL UNDER FAIR TRADE LAWS

(Continued from page 22)

potential cutters of contract prices.

In all such instances manufacturers have been successful when seriously willing to defend the price maintenance system against attacks from separate groups. Breakdown in price maintenance can generally be traced to the manufacturer's unwillingness to accept the device. Since sentiment in dealer circles is running high for price maintenance, manufacturers will frequently pay lip-service to a system on which they look with disfavor, because they feel that to do otherwise might restrict their sales volume or arouse dealer antagonism. On the other hand, it has been noted time and again that the signing of a resale contract and the sending out of price notices, although wholly sufficient as legal instruments, are by no means vehicles of effective price control, unless combined with enforcement devices. Undercutting of an established minimum price by a single store will initiate other price cuts and start a price war which spreads like wildfire.

Under such conditions enforcement of resale price maintenance has become the crucial issue in many industries. There exists a bewildering variety of enforcement plans devised to vitalize price control, many of them differing in management and enforcement. Among the various types of such plans, two stand out. One is the group enforcement plan resting on retail organizations, the other the individual price protective system instituted by the manufacturer's sales organization.

Among other industries the drug, book, tobacco, and liquor trades have witnessed the inauguration of numerous local group enforcement devices for price maintenance. Generally a local trade association of retailers, acting under the guidance of its national headquarters, forms a nucleus of the price control plan. With more or less cheerful co-operation from the manufacturer, it sponsors the retail price contracts and broadcasts the retail price notices and their variations through manuals which are liberally distributed through the trade and which in many instances serve as white lists to indicate compliance. The control board receives complaints on price violations and brings them to the attention of the manufacturer. It may stimulate the manufacturer to court action or it may sue directly through a member dealer.[5]

Group enforcement plans have gained special importance in industries where manufacturers distribute through diversified outlets, as for example, in the tobacco trade. Here the trade association polices not only the prices in the stores of their own management, but goes to other stores in which the merchandise is handled and enforces observance. Thus retail tobacconist groups control the maintenance of resale prices for tobacco products in tobacco stores and grocery stores.

An interesting tie-in of retail price enforcement with the labor movement was recently observed in Milwaukee, where a labor organization of electrical appliance salesmen controlled resale prices by fining violators and picketing non-conforming stores.

No Substitute

Important as the operation of a powerful pressure group of retailers may be for the enforcement of price maintenance systems, they can not be considered as a substitute for the manufacturer's active support of his price control. This has been strongly evidenced in cases where indirect price concessions obstructed the enforcement of Fair Trade contracts. The radio industry is an outstanding instance. After most of the national distributors of radio sets had issued Fair Trade contracts, retailer competition was shifted to the allowances on trade-ins, one retailer outdoing the other in liberal discounts. Although an express clause in the minimum price agreement forbade the practice of overrated trade-ins, their use could not be stopped in spite of the co-operative efforts of local retailer groups. Applications for injunctions through retailers were denied by the court because it was shown that the plaintiffs, to meet the demoralized conditions of the market, had themselves cut retail prices.[6]

In this industry the lack of co-operation from the manufacturer rather than absolute impossibility of controlling trade-ins might be considered the chief obstacle to effective retail price maintenance. It has been shown that manufacturers themselves granted excessive price reductions on earlier models still stocked by retailers. Generally speaking, devices like the trade-in allowance, coupons or premiums,[7] and other indirect price evasions have greatly contributed to blocking enforcement of resale prices. Likewise in the book trade the book club's returns to members have permitted evasion.

If the manufacturer tries to enforce a price maintenance system individually, without the support of an organized retail group, he works against even greater odds. Manufacturers distributing through a network of jobbers have no direct means of controlling the retail store, since their salesmen have no contract with the retailer. Experience has proved that to build up an efficient price control system by an individual manufacturer requires years of carefully prepared action and involves high costs. Contract forms must be developed which satisfy the legal requirements of the different States, yet are simple enough to be understood by small business men. True, the courts have decided that the signature of one such contract by one retailer is sufficient to bind the others;[8] and to prove knowledge of a violating dealer it is not necessary to prove that he has received a notice referring to the particular contract.[9]

Yet in practical application a single manufacturer's enforcement plan will

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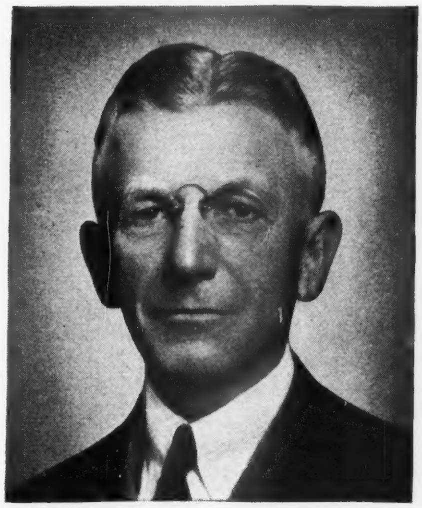
[5] The legal question of whether a dealer may sue another dealer for unfair competition because of the cutting of an established resale price is open to controversy. In *Old Dearborn* v. *V. P. Seagram, Distillers*, 299 U. S., 183, the United States Supreme Court upheld the constitutionality of the Fair Trade acts as protecting the good will value of the manufacturer's brand. Since no such property rights are involved in the dealer's case, courts have occasionally denied the dealer's right to sue. *cf. Albaum* v. *Liquor Mart*, a New Jersey case where Judge Biglow denied an injunction sought by three retailers against the fourth under the old law which did not entitle the retailer to sue violators (Prentice-Hall, *Federal Trade and Industry Service*, 40831). In the State of New York the Appellate Division of the Supreme Court, however, has expressly upheld the right of retailers to seek redress against price cutting of competitors. *Portchester Wines & Liquor Shop* v. *Miller Bros.*, decision of January 28, 1938, 253 App. Div. 188.

[6] *Cf. Kline* v. *Davega City Radio, Inc.*, New York Supreme Court, April 18, 1938, Prentice-Hall, *F.T.I.S.*, 40419.

[7] In *Bristol-Myers* v. *Nevins Drug Company*, the Pennsylvania Court of Common Pleas held that issuing of profit-sharing coupons was a violation of the Pennsylvania Fair Trade act. (January 7, 1938.) The New Jersey Chancery Court in a decision of December 16, 1937, held employee discounts on price-fixed articles violative of the New Jersey Fair Trade law. *Bristol-Myers Company, Inc.* v. *Bamberger & Co., Inc.* (Prentice-Hall, *F.T.I.S.*, 40829.)

THE TRUTH ABOUT JOHN JONES*...

by A. E. DUNCAN
Chairman of the Board
COMMERCIAL CREDIT COMPANY



JOHN JONES is one of millions of American wage-earners, salaried and professional workers whose annual income is more than $1,000. He occasionally purchases articles on the instalment plan.

His critics would have you believe that he fosters heedless buying of luxuries, promotes extravagance, piles up debt and contributes to or prolongs a business depression. They believe that his instalment purchases are a huge proportion of all retail purchases, which is not at all true.

I believe it is my duty as head of a national organization, with 4,500 employes, specializing in financing instalment sales, to tell you the truth about John Jones—*sound instalment buyer*—and to offset much misinformation which has been and is being spread about him.

Depressions are not caused by people's purchases. Purchase and consumption create *more* business, *more* jobs, *more* wealth, *more* prosperity. Depressions are caused when people *stop* normal purchasing. To blame any depression on the instalment purchasers means that instalment buying must *drop off* in much greater proportion than cash or short term credit buying.

*A symbolical name, not that of any person.

The facts shown by the recent report of the United States Bureau of Foreign and Domestic Commerce are that the estimated total instalment sales during 1937 were only 12.2% of total estimated retail sales, compared with 11.8% for 1936, 10.9% for 1935, and 13% for 1929; also, that the average amount of credit outstanding on retail instalment accounts during 1937 was about $2,900,000,000.

Total retail sales during 1937 approximated $41,000,000,000, of which only 12.2%, or $5,000,000,000, were instalment sales and 87.8%, or $36,000,000,000, were for cash or on open credit. A 40% *drop* in all retail sales, during a depression, based on 1937 figures, means a *drop* of 4.88%, or $2,000,000,000, on all instalment sales; but it would also mean a *drop* of 35.12%, or $14,400,000,000, in retail sales made for cash or on open credit.

It must be obvious, then, that the drop in volume of sales for cash or open credit, and not the drop in instalment sales, causes and prolongs a business depression. A total retail instalment debt of $2,900,000,000, which is reduced during a depression, need not cause concern.

Systematic saving is one of the basic principles of accumulating wealth. Sound instalment buying encourages the budgeting of family income and systematic saving for investment in durable family possessions. It produces mass buying power and makes mass production possible, which results in much lower prices on articles generally sold on the instalment plan. It has helped build great industries—the automobile, refrigerator and radio industries. It keeps factories busy and labor employed. It has raised America's living standard far above that of any other nation. It has made yesterday's luxuries today's necessities.

Upon the above facts, I believe that all reasonable persons will find that John Jones—*sound instalment buyer*—is not a menace. He is a worthy and valuable contributor to the prosperity of American business and to the happiness of American life.

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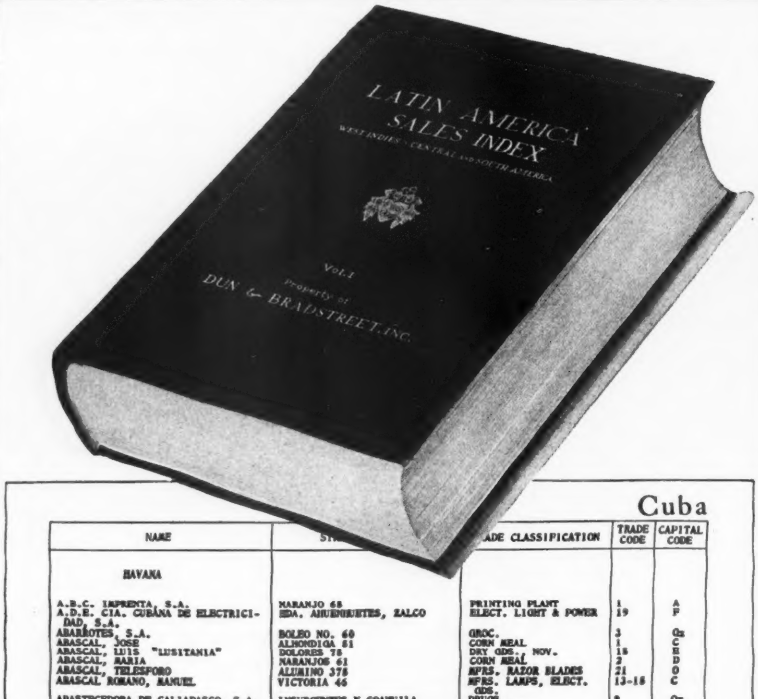

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hardly succeed unless at least a majority of customers have signed formal price agreements and thus pledged observation of the established price rules. Even then the manufacturer should emphasize his determination to prosecute violators by repeated announcements. Some manufacturers have made it a definite policy not to open a new account until a Fair Trade contract is signed by the dealer. In many instances painstaking correspondence and argument are necessary to bring price cutters into line. Court action against persistent violators is sometimes necessary, but must generally be considered as a last resort.

Obstructions

As a matter of fact, recalcitrant retailers will find that the niceties of the law allow them almost indefinite obstruction. The preliminary injunction is a most effective weapon, but being considered by some courts as too drastic a remedy to be invoked except in cases of clear evidence, it is not too liberally granted.[10] Although courts have emphasized that plaintiffs need not sue all price cutters simultaneously,[11] they may refuse enforcement in cases where many violations have occurred and gone unpunished.[12] Courts have denied enforcement by preliminary injunction because of the manufacturer's refusal to furnish the price cutter with price-protected merchandise,[13] or because of the lack of a consideration in the price contract,[14] or because of the distributor's lack of ownership of the trade-mark with which the product was identified.[15]

[8] *Revlon Nail Enamel Corporation* v. *Charmley Drug Shop*, New Jersey Chancery Court; *Calvert* v. *Nussbaum*, New York Supreme Court, N.Y.L.J., January 20, 1938.

[9] *Seagram* v. *Seyopp*, New York County Supreme Court P. III, January 14, 1937, N.Y.L.J., January 15, 1938.

[10] In *Frankfort Distillers* v. *Levine*, N.Y.L.J., March 5, 1938, the Kings County Supreme Court of New York denied an injunction which was supported by the affidavit of one witness only.

[11] *National Distillers Products Corp.* v. *Columbus C.L.S., Inc.*, New York Supreme Court, N.Y.S. 2nd, 319.

[12] *Kline* v. *Davega*, New York Supreme Court, April 18, 1938.

[13] *Lentheric* v. *Weissbard*, New Jersey Chancery Court, December 28, 1937. (Prentice-Hall, *F.T.I.S.*, 40374.)

[14] *Calvert* v. *International Liquor; same* v. *Raymond Wine & Liquor Co.; same* v. *Market Street Corp.*, Judge Biglow, New Jersey Chancery Court (Prentice-Hall, *F.T.I.S.*, 40381). The court declares it extremely doubtful whether promise of the manufacturer to fix the same prices and terms for other retailers is a good consideration in the typical resale price contract. In the case *Houbigant Sales Corp.* v. *Woods Cut-Rate Store*, the same court in its decision of December 29, 1937, has decided that sale and delivery to the retailer by producers and fixing of prices constitutes a sufficient common law consideration. (123 N.J.E. 40).

[15] In *Schenley Products Corp.* v. *Franklin*, Judge Biglow of New Jersey denied relief to the Schenley Company because neither its distributor nor the company itself, but an

Another vehicle of resale price obstruction is the contention of the defendant that the merchandise has been acquired before the Fair Trade acts had been made effective. Courts are generally inclined to exempt previously acquired merchandise from the price rule.[16]

For these and other reasons most manufacturers so far have not been enthusiastic supporters of resale price maintenance. Although some of them appear to have achieved beneficial merchandising results after years of toil, others have been deterred by the features of rigidity which are inherent in the plan, and still others have yielded only upon pressure from retailer groups. It might be said that their apprehensions as to the consumer resistance which frozen mark-ups might invoke have not materialized and that the private brand scare has proved to be grossly exaggerated.

On the other hand retailers, although greatly benefited by price maintenance, have not seen the golden era of fair and profitable prices for everybody. If they were fairly successful in hindering manufacturers from breaking consumer resistance through lower retail margins, they find that competition in the retail field has not ceased to exist but is rather diverted to new channels.

Thus, on the whole, it might be expected that neither the inflated hopes nor the over-pessimistic apprehensions voiced for and against resale price maintenance will materialize. Gradually people will come to realize that however useful a Fair Trade law may be as a weapon against price abuses it will act as a boomerang on those who consider it a device for the elimination of competition.

[16] *Cf. Seagram* v. *Seyopp*, supra., where the court held that rights against non-contract signers are acquired only where merchandise is sold which has been acquired after notice. *cf. Oneida, Limited* v. *Macher Watch Co.*, N. Y. County Supreme Court, April 7, 1938, 99 N.Y.L.J., 1706.

IMPROVEMENTS, ENLARGEMENTS

(Continued from page 14)

The individual business man, looking over his expenditures for improvements and enlargements during 1936 and comparing them with the averages for his industry, may very properly ask, "How do I fit into this? Was most of the money spent by the large concerns? Were the spending policies of these concerns related to the rate of increase of their sales?" In the majority of industries and trades, the sample of reporting concerns was large enough to be classified into two or three size groups for a study of this question.

Among manufacturers the concerns are grouped according to 1935 sales volume as follows:

Large —Over $1,000,000
Medium—$100,000 to $1,000,000
Small —Less than $100,000

Small manufacturing concerns seemed to lack the funds or the inclination to spend for improvement or enlargement. There were more small establishments than large ones which failed to report these types of expenditures. In the group of concerns which did undertake expenditures, there were noticeable tendencies for enlargement commitments to concentrate among the large concerns, improvement commitments among the smaller. However, the pattern just described is characteristic of less than half of the industries examined and in the remaining industries no logical tendency is noted for the large or the small to be more heavily committed to capital goods expenditures.

In the following industries the small concerns spent a larger percentage of sales than the large concerns on both improvement and enlargement accounts: non-alcoholic beverages, fruit and vegetable canning, women's and children's clothing, machine shops.

In the furniture industry the large concerns appear in general to have been setting aside a bigger portion of sales for capital expenditures than have the small enterprises.

Wholesalers

The three sales volume groups of wholesalers are:

Large —$300,000 and over
Medium—$50,000 to $300,000
Small —Less than $50,000

Consistent distinctions in the spending policies of the large and the small wholesalers are apparent in less than half of the wholesale trades covered. However, there is a recognizable tendency for the large concerns to report "no expenditures at all" more fre-

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quently than did the small concerns. The relative importance of expenditures for enlargement is about the same in the case of the large, medium, and small groups in most trades, with a slight tendency for the small concerns to spend more freely on improvements. This occurred in the following wholesale trades: dairy products, food and grocery specialties, farm products, petroleum products.

Retailers

Retailers were grouped by sales volume as follows:

Large —$100,000 and over
Medium—$20,000 to $100,000
Small —Less than $20,000

Money and the confidence to spend it were not the exclusive property of any one size group of retailers. Concerns reporting zero expenditures were scattered in about equal frequency through all three size groups. The expenditures were also well spread, but in accumulated dollar volume the expenditures of the small concerns were relatively heavier than those of the large concerns in a substantial number of trades, and the small concerns quite frequently continued to step up their expenditures in 1937 more rapidly than did the larger organizations.

In the following trades there was a tendency for the small concerns to spend a heavier percentage of sales than did the large concerns for both improvements and enlargements: groceries, groceries and meats, house furnishings and floor coverings, electric and gas household appliances, farm implements, automobile accessories, coal yards.

The facts presented above describe a problem of vital interest to business men and economists. But the facts in themselves are no solution of the problem. It does not resemble the type of problem which is commonly expected to evaporate in the hot glare of publicity. The doldrums of our durable goods industries during a depression cannot be cured by sun baths.

We can speculate on what we might do if tradition did not run to the contrary or if adjustment to new ways of doing things in a complicated world were simple. For instance, it is interesting to consider how our economic system would operate if a substantial group of business enterprises should resolve hereafter never to add to plant facilities when business had been on the upgrade for a period of months, but to "amortize in advance" their new construction requirements and to resolve that spending would be started when things looked blackest.

OVER THE EDITOR'S DESK

CONTRIBUTORS . . . COMING NEXT MONTH

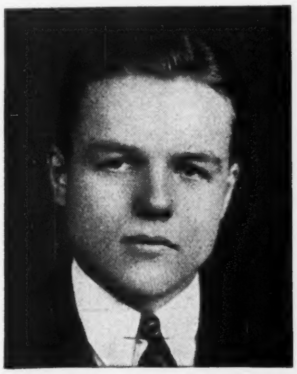
READERS who recall Reinhold Wolff's article in the December number perhaps remember also that his experience has been of a sort to favor a detached view of pricing problems in this country. Only three years ago he was practising law in Germany and following closely developments in the trade association movement there. Now living in New York, Dr. Wolff is editor of *Trade Regulation Review* and a pricing and merchandising counselor. This year he has been teaching marketing at New York University and has been an advisor to the Committee on Distributional Costs of the Conference on Price Research, National Bureau of Economic Research.

DR. REINHOLD WOLFF

Co-author of *The Control of Retail Prices Under the Fair Trade Laws,* Duncan Holthausen studied economics at Amherst College. Under the guidance of Frederick C. Mills, of Columbia University, he has just completed an intensive study of the effects of the Feld-Crawford Act on drug prices.

NEXT month's article in the series presenting the viewpoints of business

leaders will be by William L. Batt, president since 1923 of SKF Industries. Mr. Batt is also chairman of the coordinating committee of the Seventh



DUNCAN HOLTHAUSEN

International Management Congress, which will bring industrialists and management authorities from 30 countries to Washington this Fall, September 19 to 23.

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DUN'S REVIEW

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More detailed breakdowns of those statistical data originally compiled by the publishers—business failures, bank clearings, building permits, and price indexes which are summarized and interpreted each month in DUN'S REVIEW (see pages 32-35)—are published monthly in DUN'S STATISTICAL REVIEW, tables only, no text, $1 a year; $2 outside the United States.

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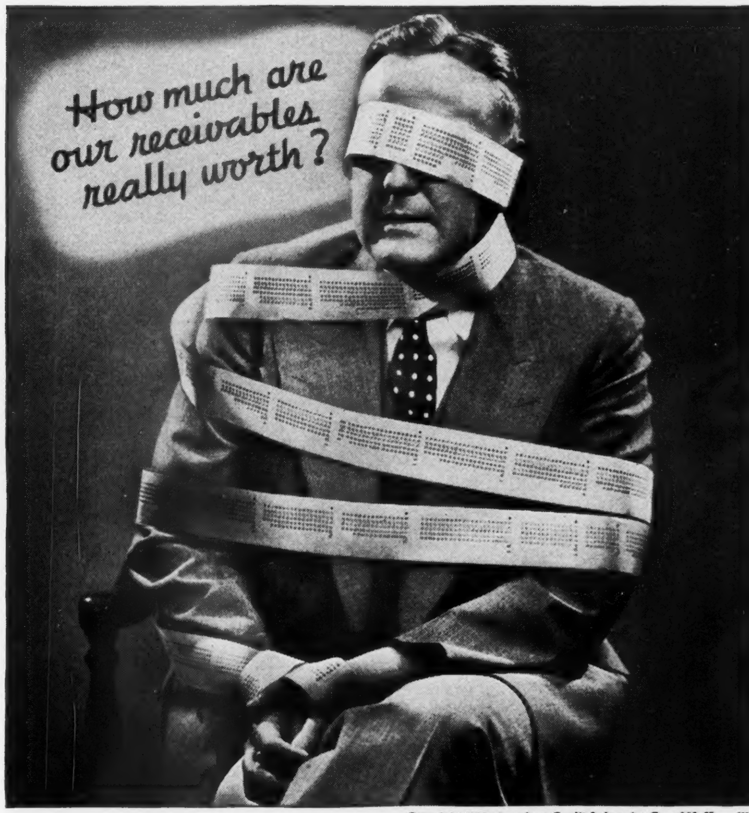

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Your Eyes Blinded —Your Hands Tied

Your receivables add up to an imposing total -- on paper. If you rely blindly on these figures, your optimism may prove costly. If you are over-anxious about them, fear ties your hands -- you cannot grasp additional sales opportunities.

Keen executives want to *know* the real value of their receivables at all times. The way to do it is to cover all accounts with

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General coverage affords positive protection against unexpected credit losses as long as goods are shipped under the terms of the policy. When debtors default, you are reimbursed promptly. Delinquencies, as well as insolvencies and "77-B" cases, are liquidated. Thus, capital is not only kept *safe*, but working, turning, and earning money, as well.

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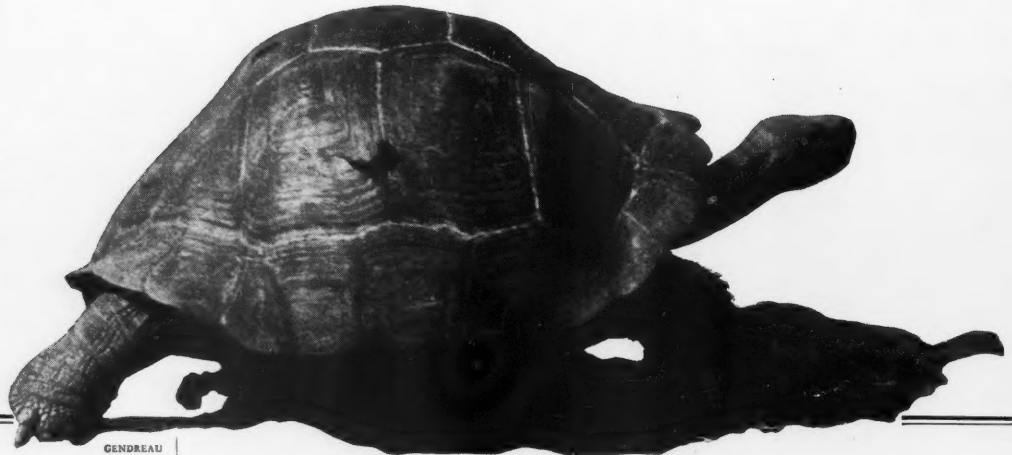

CONGRESS has finished writing the Wages and Hours Act, but the pen will shortly be taken up again by an Administrator. He must put precise meaning into the broad and mysterious phrases in which such laws are usually written. Of special importance is determining how rapidly progression above the minimum requirements shall take place.

The spirit of the Act calls for gradualness. And the recent history of France under the Popular Front would endorse such a program. There, legislation on hours and wages, particularly the forty-hour week, was applied so generally and so suddenly that many employers were unable to make adequate preparations. The new decrees frequently necessitated major adjustments of personnel and methods of operation. In many cases, production was restricted and costs mounted rapidly, followed by sharp price increases. An investigating committee urged greater flexibility.

Even the most ardent supporter of the new Act should hope earnestly that its administration will be able to resist the various forces which will demand that action be taken with feverish haste, and will proceed calmly and deliberately to bring about the maximum of benefit with a minimum of damage. Business enterprises can make the necessary adjustments with fewer complications, if given plenty of time to do so. But there is no form of management magic which can say "Presto" and complete the process over night.

Willard L. Thorp.

E D I T O R